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HAWKE SAYS INTEREST RATES TO REMAIN HIGH

Sydney THE AUSTRALIAN in English 28 Nov 86 pp 1, 2

[Article by Mike Taylor and Robert Hadler]

[Excerpts]

THE Prime Minister, Mr Hawke, has warned that interest rates are likely to remain high for some time despite his otherwise "cautious optimism" about the future of the Australian economy.

In an economic address to the Confederation of Australian Industry (CAI) in Canberra last night, Mr Hawke said that until there was a dramatic improvement in the current account, the Government could not responsibly entertain a premature easing of monetary policy, which would bring renewed pressure on the currency.

Mr Hawke saw no definite progress on the current account until mid-1987, implying interest rates would remain high for at least the next six months.

During the past week, Mr Hawke and the Treasurer, Mr Keating, have tempered their previous optimism about the timing of the Budget strategy, reflecting concerns about the slow response of manufacturing to the depreciation of the dollar and the volatility of the international trading environment.

Another key factor influencing the Government's views on the level of interest rates, identified by Mr Hawke last night, is the expected above-average consumer price index (CPI) result for the December quarter.

Mr Hawke foreshadowed changes to federal industrial relations legislation that would increase labour market flexibility when tied to the two-tiered wages structure.

Mr Hawke also reaffirmed his Government's commitment to a centralised system of wage-fixing, rather than the enterprise-by-enterprise approach being pursued by labour market reformers in the National Farmers Federation, the Australian Federation of Employers and the Australian Chamber of Commerce.

Mr Hawke hardened the Government's resistance to the ACTU's superannuation campaign, insisting the Arbitration Commission should take superannuation into account in the total labour cost outcome of the present national wage case.

Scoffing at radical deregulatory policies and the New Right, Mr Hawke said this was not the path chosen by the Government.

"We accept that our present system can do with improvement and we will be announcing refinements to the legislative structure early in the new year in response to the recommendations of the Hancock report," he said.

"These will be positive and constructive reforms which will win widespread community support."

His statement coincided with reports from within the Government that it was examining ways of adapting the recommendations of the Hancock report on industrial relations to enhance the deregulatory aspects contained in the second tier of the Government's preferred two-tiered wages model.

"That is a far cry from suggesting that the entire framework should be dismantled immediately, which is what our political opponents claim they will do," Mr Hawke said.

"They say they will unshackle Australia's workers, a policy which would in fact destabilise the partners to Australia's tried and true system of industrial relations and would have dire consequences for the entire economy."

"Our approach, by contrast, seeks the co-operation of all the industrial relations partners."

On superannuation, Mr Hawke split further with the views of the ACTU and backed the Commonwealth's submission to the national wage case for the unions' superannuation campaign to cease.

"In its place, we believe superannuation should be gradually phased in under an award, consistent with the capacity of the economy to pay," he said.

"The likely impact of the progress of superannuation should also be taken into account by the commission in determining the total labour costs outcome under the new system."

What became clear in Mr Hawke's speech to the CAI was that while the Government is not willing publicly to admit its Budget growth forecasts may have to be revised, it is at least creating an atmosphere within which that can be achieved with a minimum of political fallout.

"It is widely anticipated in financial markets that, barring a further unforeseen collapse in commodity prices or world trade, our monthly balance of payments deficit has peaked at the \$1.7 billion October figure," Mr Hawke said.

"Of course that is not to say that a dramatic improvement is expected overnight.

"Indeed, a major reduction in the external deficit is likely to require a prolonged period, possibly some years, if commodity prices remain adverse."

In the meantime, there would be the usual monthly variations for seasonal and other reasons.

Although policies had been put in place to enable a gradual reduction in interest rates, a dramatic reduction could not be expected overnight and any further external shock to the currency would further inhibit the Government's relaxation of monetary policy.

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CSO: 4200/223

DEMOCRAT'S RESIGNATION 'SYMPTOMATIC' OF PROFOUND CRISIS

Sydney THE AUSTRALIAN in English 28 Nov 86 p 8

[Editorial: "Democrats' Crisis"]

[Text]

THE crisis into which the Australian Democrats have been plunged as a result of the resignation of their former deputy leader, Senator John Siddons, is symptomatic of a more profound crisis of identity with which the party has failed to come to grips.

Senator Siddons accused four of his Democrat colleagues in the Senate of opportunism, saying they paid lip service to the party's economic policy but voted against it rather than upset powerful pressure groups.

Senator Siddons' accusations demonstrate the tension that has always existed in the Democrats between the principle of Members of Parliament having a free conscience vote on every issue and the need for some coherence in the party's approach to policy issues.

The Democrats have not managed their parliamentary affairs well. The Liberal Party, unlike the ALP, does not require members to vote with the party on every single occasion. If there is a party position that would profoundly violate a member's conscience he can choose to cross the floor. None the less, this is a rare occurrence. As Senator Siddons has pointed out, the economic crisis through which Australia is passing requires clear and firm policies. If the Democrats want to be

taken seriously as a party with something to contribute on important issues they should be able to cope with at least a modicum of party discipline.

However, there are deeper issues still that are raised by Senator Siddons' resignation. His departure from the party was greeted with enthusiasm by his Tasmanian colleague, Senator Norm Sanders, who said that Senator Siddons had been identified with conservative forces and that he had been restraining the Democrats from pursuing their natural constituency, disaffected Labor voters unhappy with the Hawke Government's abandonment of some traditional Labor concerns.

Mr Don Chipp founded the Australian Democrats as a party of the centre. Senator Sanders' comments, and the deep divisions within the party, show that it is moving increasingly to the Left, to take up a position permanently to the Left of the principal Australian political parties.

As the demise of the Democratic Labor Party more than a decade ago demonstrated, centrist parties that move to one fringe or the other inevitably collapse when there is a general swing in the opposite direction. The future does not look bright for Australia's political "third force".

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CSO: 4200/223

GATT ELECTION SEEN TO FURTHER ANTISUBSIDY CAMPAIGN

Sydney THE AUSTRALIAN in English 28 Nov 86 p 3

[Article by Paul Austin]

[Text]

AUSTRALIA'S campaign to end the trade subsidy war between the United States and the European Community (EC) was boosted yesterday when the Australian representative to the General Agreement on Tariffs and Trade (GATT), Mr Alan Oxley, was elected chairman of the influential GATT council.

Mr Oxley is the first Australian to be elected to the post.

His election comes at an important time for the Australian economy because the new four-year round of multilateral trade negotiations, which he will oversee, will take into account for the first time the high levels of agricultural subsidies in the US and the EC.

Australia spearheaded a move by 14 non-subsidising countries at the GATT talks in Uruguay in September to ensure that the damaging effects of the subsidy war were tackled.

The high-subsidy policies of the main world traders are estimated to have cost Australia more than \$1 billion in export earnings, and are threatening to force about 10 per cent of the country's 70,000 grain farmers out of business.

Mr Oxley was nominated for the position of chairman by Indonesia, on behalf of all

members of the Association of South-East Asian Nations.

Significantly, the nomination was seconded by the EC, as a gesture of goodwill to Australia, even though the Government has been critical of the subsidy policies of the European nations.

The Minister for Trade, Mr Dawkins, said Mr Oxley's election would mean that Australia "will be in the centre of things, which is where we want to be".

He said the chairman played a crucial role in the 92-member GATT.

The council, which met monthly, was GATT's steering body.

It was the body to which contracting parties brought trade complaints about the actions of other parties, and through which the dispute settlements operated.

Mr Dawkins said Mr Oxley would become chairman of contracting parties in 1988, after his term as chairman of the council next year.

The contracting parties met annually and acted as the supreme body of GATT.

"It is a particularly significant time for Australia to be acting in these capacities," he said.

"The Uruguay round of multilateral trade negotiations is just getting under way, and is expected to run for the next four years."

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CSO: 4200/223

EXPORT PRICE PLUNGE PROMPTS BALANCE OF PAYMENTS DROP

Sydney THE SYDNEY MORNING HERALD in English 28 Nov 86 p 3

[Article by Steve Burrell]

[Text]

CANBERRA: Australia's balance of payments went \$6 billion further into the red during the past year because of the plunge in export prices, according to official figures released yesterday.

The September quarter balance of payments also show a slowdown in import volumes over the past year as the effects of the fall of the dollar and lower demand bite.

The Government grasped the figures as evidence that their economic strategy of shifting the focus of growth from the domestic economy to the trade sector was working.

The Treasurer, Mr Keating, said that the current account figure of \$3696 million for the September quarter showed that the Budget prediction of a \$14.7 billion current account deficit for 1986-87 was on target.

He said the third consecutive quarterly fall in so-called "endogenous import" volumes — total imports adjusted for large items like aircraft and defence equipment — was further evidence that the Budget strategy was working.

The Government is relying on growth in net exports — export expansion and import replacement — to replace domestic demand as the "engine" of economic growth, allowing moderate expansion without worsening the trade problem.

But, so far, the impact on the current account of improved trade volumes has been swamped by the disastrous decline in the terms of trade.

The figures show that the fall of almost 10 per cent in the terms of trade — export prices compared to import prices — since the end of 1984-85 meant the current account deficit was

35 per cent higher than if export prices had remained at their December 1984 level.

After adjustment for seasonal factors, the current account deficit in the September quarter would have been \$2,148 million, 40 per cent lower than the actual figure of \$3,696 million.

While the current account rose by 2.5 per cent over the September quarter, it is still almost 4 per cent down on the same quarter last year.

Endogenous import volumes continued their steady decline which began in the December quarter 1985 as high interest rates and rising import prices sapped demand for overseas goods and services.

Imports of consumption goods, such as food, drinks and cars, have fallen by 12 per cent since September last year, while capital equipment imports have shown a 8.3 per cent fall.

The fall in equipment imports is consistent with investment figures which are yet to show signs of a business investment recovery in response to new sales opportunities.

Export volumes rose by 3.1 per cent over the quarter, but remain below the March 1986 peak. Weak oil sales, following the decision of local producers to virtually cease exports earlier this year, and a drop in cereal and sugar exports, are the major reasons for the decline.

An encouraging sign for the Government, however, was the 7.2 per cent increase in manufacturing exports.

The December quarter export figures should be better, as the resumption of oil exports, after changes to Government excise arrangements, flow through.

EDITORIAL URGES NATION TO STAY ON ECONOMIC COURSE

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 14

[Editorial: "Soft Landing in an Election Year?"]

[Text]

THE September quarter national accounts provide further evidence that the economy is having a fairly soft landing. But, as Mr Keating was at pains to remind everyone yesterday, after the soft landing comes the long hard slog. Until Australia's current account deficit is halved and the foreign debt is stabilised, the Government must keep the brakes hard on domestic demand. And to make way for the investment required to produce a lasting improvement in the current account, consumption spending will have to be cut back and saving will have to increase.

The slight growth in the September quarter after the economic decline of the preceding six months does not mean the worst is over. There will be no "recovery" nicely timed for the next election; only further hefty cuts in government spending and real wages. An attempt by the Government to relax its grip on demand — or by the unions to avoid the real wage cuts required by the collapse of the terms of trade — would trigger a new exchange

rate crisis, and destroy any chance of the Government being re-elected.

The national accounts offer early evidence of an improvement in the balance of payments — after adjusting for aircraft imports, the September quarter is the third in which the volume of imports has declined. There is also some tentative evidence of business taking advantage of the dollar's depreciation; manufacturing output seems to be increasing and the Metal Trades Industry Association expects a hefty increase in investment by its members. But the improvement in the current account deficit which is expected next year will be due only in part to the improvement in Australia's competitiveness.

Much of the decline in imports and the increase in exports will be due to the slow growth of domestic demand. When domestic demand falls, so does the demand for imports, and local producers look to export markets; witness the steel industry, which is

boosting its exports. If domestic demand were allowed to grow, the current account deficit would expand again. Which is why the market would dump the dollar at the first sign of the Government relaxing its grip on monetary and fiscal policy. And why Mr Keating is unlikely to take the well meant advice of those in the bureaucracy and the private sector who are advocating a more rapid decline in interest rates. Interest rates need to come down fairly quickly if the economy's landing is to stay soft, but a loss of confidence in the exchange rate would send rates rocketing up again. Mr Keating cannot afford to take risks with monetary policy, any

more than he can afford to shirk hefty spending cuts in May (there must be a mini-Budget), or give away too much in the August Budget.

Whatever the other election-year demands on the Government, the process of adjustment to the decline in the terms of trade cannot be interrupted. Mr Keating boasted yesterday that the latest national accounts provided evidence that economic growth would be up to the Government's Budget forecast. But his warning about the hard slog ahead suggested a new concern: that people may take the soft landing for granted.

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OPPOSITION SPOKESMAN URGES ENVOYS TO CONCENTRATE ON TRADE

Sydney THE AUSTRALIAN in English 28 Nov 86 p 3

[Article by Ross Peake]

[Text]

AUSTRALIAN diplomats have to forgo small talk over cucumber sandwiches and adopt a more aggressive and sophisticated analysis of international events, the Opposition's spokesman on foreign affairs, Mr Andrew Peacock, said yesterday.

He said there was an urgent need for foreign policy to take on a greater trade orientation, which meant a change in training for foreign affairs recruits.

"It is my belief that there is a need to create a more aggressive service to act in line with Australia's real needs and to market itself and its products more widely and effectively in the world," he said.

"If we are to reverse the considerable decline in our market share, that diplomacy must become more aggressive and sophisticated in its analysis of international economic and political trends, in anticipation of overseas events and in the projection of our country and our products abroad."

Mr Peacock told an Australian Institute of International Affairs meeting in Brisbane he believed that the growing inter-relationship of trade, economics and foreign policy would increasingly dominate Australia's foreign policy

agenda during the next 10 years.

Australia faced an increasingly hostile economic environment as a result of the increase in protectionist pressure from the European Community (EC) and the United States, and changes in those nations' policies had to be carefully studied.

"To this end, we must use our diplomatic expertise in new, more creative and dynamic ways so as to head off any attempts to raise levels of protection even further," he said.

"With Australia's economic livelihood dependent on increased export performance, there is an urgency for us to accept that our foreign policy must take on a greater trade orientation.

"It is time that the Department of Foreign Affairs co-ordinated the work already done by the Australian Trade Commission service (now incorporated into Austrade) and brought and expanded its own expertise to the fight.

"Our foreign service representation is a valuable asset staffed by dedicated practitioners of diplomacy and of Australia's national interests. However, circumstances are such that in a more aggressive international trading scene our diplomats must acquire

greater familiarity with the market forces.

"The days of small talk over cucumber sandwiches and champagne at cocktail parties ought to be long gone."

Mr Peacock said Australia's foreign affairs officers abroad must have sufficient knowledge to be able to distinguish the trade implications of government policy of the countries in which they are posted.

They must report back to Canberra accordingly when there were policy changes that could affect Australian commerce.

"Such reporting would be of more value to us than the simple relaying of news of minor Cabinet shuffles in countries of marginal political importance to us," he said.

"Even more importantly, they must learn to anticipate important political and economic changes.

"We need to be able to identify international problem areas in advance and so head off any initiatives which we consider detrimental to our economic stability."

Mr Peacock said that in the past we tended to show little capacity for forward thinking in this area.

"We must learn not to be simply reactive, seeking only to deal with problems as they arise," he said.

"The decline in Australia's international trading performance is perhaps the most indicting example of our failure to understand fully global economic developments."

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'DOUBTS' OVER CUTS IN TEXTILE PROTECTION ANALYZED

Sydney THE AUSTRALIAN in English 29-30 Nov 86 pp 1, 2

[News analysis by Paul Kelly]

[Text]

GRAVE doubts must remain over whether the Hawke Government has shown enough political courage in cutting protection for Australia's biggest manufacturing industry - textiles, clothing and footwear.

Upon this judgment will rest the answer to the decisive question of whether the Government is much better than the Fraser government in forcing the long-needed changes in Australia's industry structure.

It is true that the Minister for Industry, Technology and Commerce, Senator Button, has been tougher with these industries in his plan than was Mr Malcolm Fraser in his 1982 plan. But the balance of payments crisis Australia faces demands far more urgent action now.

Textiles, footwear and clothing is a chamber of political and economic horrors for any government.

These industries, which are being phased out in Singapore, employ 110,000 people in Australia with an annual turnover of 30,000.

They enjoy protection largely by quotas which cost the nation \$1000 million a year - equivalent to a 40 per cent consumption tax on many items considered necessities. They have a mindset which is deeply inward looking.

The Government's decision is critical because the greatest

conventional wisdom of the Hawke Government is that it stands for a restructuring of the Australian economy.

Avoid

This is one of the best tests of that theory. It will be believed only to the extent that the Cabinet has actually tackled the problem. And the evidence is very mixed.

Mr Hawke's attempt to avoid the Malcolm Fraser dilemma of having a free trade policy overseas and protectionist stance at home is by no means resolved.

Generalising from the vast complexity of the Cabinet decision, it appears that the Button plan will cut protection for clothing from a tariff equivalent of about 80 per cent to 60 per cent. For footwear the cut is from about 70 per cent to 50 per cent. Central to the decision is that tariff quotas will phase out by 1996 - yes 1996!

The shift away from quotas to uniform tariffs is fundamental to a more efficient industry structure.

The new plan will mean a not insignificant job loss in the industry, as well as company closures. But Senator Button's advisers do not anticipate an overall industry contraction during the next 10 years of more than 15 per cent.

The trouble is that very little happens for several years.

The Hawke Government is stuck with its 1983 commitment to stand by the Fraser plan to its completion. So the Button plan does not even start until March 1989 - nearly 2½ years away. (Do not let anyone tell you election promises do not matter.)

The plan covers seven years until 1996, with the bulk of the adjustment coming in the second half. The facts, as Senator Button implied yesterday, are that any plant closures in the foreseeable future - and he predicted three of them - will not be the result of any government action.

The Button plan represents political progress over the Fraser model. But as the Hawke Government has found, the real test of national progress cannot be measured by such domestic relativities.

Triumph

The measure that counts is Australia's international competitiveness. The economic reality is that the more Australia fritters away its resources in hopelessly uncompetitive areas then the poorer Australia becomes and the poorer the poor become.

The scheme is a compromise between economics and politics. The political management of the issue has been a triumph for Senator Button.

He appears to have forged a consensus between unions, employers and the Labor Caucus for the program. The minister wanted 50 per cent as the tariff cut target--as recommended by the Industries Assistance Commission--but he had to strike a compromise at a higher level.

Senator Button has a litany of stories to tell about the tactics of the industry to keep its cloistered existence intact. Those stories should be provided to economic commentators who act on the false assumption that the protection battle in Australia is over.

The Button plan has two big differences from the Fraser program.

While both give all market growth to imports, the Button plan provides extra pressure from out-of-quota imports and is designed to eliminate tariff quotas.

Second, the Button plan is more active and dynamic and provides for a \$200 million injection over the seven years to encourage the more competitive areas into innovation and exports.

Of course, this has its own risks.

The Australian Industry Development Corporation (AIDC) will invest in projects to support value-added production. Senator Button wants to see more processing of our own raw materials--raw hides into leather, an advance beyond the 10 per cent figure in processing our own wool clip.

But the AIDC will be guaranteed by Government against bad investments and any losses. Is this the best way to reinvigorate a largely uncompetitive industry?

The details of the adjustment package for people who lose their job is a matter of considerable heartburn in Cabinet and has been deferred.

Employers and unions are heartened by the "trigger mechanism" which they had inserted into the package.

Pain

The insertion is a guarantee of a review of the plan and its content if the extent of industry contraction is greater than 10 per cent, 20 per cent and 20 per cent for textiles, clothing and footwear respectively.

The Button package means that future governments will bear the political pain from the readjustment of Australia's most inefficient industries.

In this sense it is similar to the Fraser plan. But this is probably unavoidable, since any plan must be long-term and the Button plan is better than the last one.

Whether progress at this pace is anywhere near fast enough for Australia is another question.

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CSO: 4200/223

GOVERNMENT RESTRUCTURING OF TEXTILE INDUSTRY TO COST JOBS

Sydney THE SYDNEY MORNING HERALD in English 29 Nov 86 p 7

[Article by Stephen Hutcheon]

[Text] Canberra--Thousands of jobs in the textile, clothing and footwear industry will be lost under the Federal Government's restructuring program approved by the ALP Caucus yesterday.

The Government announced final details of its plan to more than halve tariff protection for Australian clothing and textiles to 60 per cent, and slash footwear tariffs to 50 per cent.

The Caucus approved the textiles, clothing and footwear (TCF) plan after the Minister for Industry, Senator Button, and his backers had spent the best part of the previous evening hammering out a compromise in Cabinet. In the end he did not have to give much away.

The Button scheme will cut the tariffs and phase out the quota system over a seven-year period for an industry that employs 110,000 people in some 3,000 companies around Australia. The plan goes into operation from March 1989.

According to the official estimates, more than 5,000 jobs will be lost as a result. The aim is to bring about leaner, healthier industries.

"Those gradual reductions in assistance should, over time, bring about reduced prices in these industries, and the beneficiaries of that will not only be members of the community but TCF workers," Senator Button said yesterday.

The plan is intended to progressively expose the industry to competition from abroad, and weed out inefficient home manufacturers.

"There will be less people employed (in the TCF industries) at the end of the plan than there are now, significantly less," he said.

According to figures prepared by the Industries Assistance Commission, the TCF industry is expected to contract by about 14 per cent as a result of the Button scheme. This would mean more than 5,000 workers losing their jobs.

"What we are mostly concerned to do, however, is to provide a good basis for the future of these industries," Senator Button said.

The heavy tariff cuts would not have won the support they eventually received from Caucus, the unions and employer groups, had it not been for a considerable list of inducements.

These include:

--A raw materials processing program under which the Australian Industry Development Corporation will provide funds to finance wool, cotton and leather processing.

--An efficiency program to direct assistance to a limited number of companies able to compete internationally.

--An infrastructure program to retrain workers, and improve information, productivity, research and design.

--An export scheme under which the Government will provide specialised trade assistance for market development and promotion.

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CSO: 4200/223

SLUMP TO COST 'HUNDREDS OF MILLIONS' IN LOST TAX

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 1

[Article by David Robertson and Steve Burrell]

[Text]

The slump in new car sales will cost the Federal Government hundreds of millions of dollars in lost sales tax and import duty revenue this year, Government officials confirmed yesterday.

The motor industry says plunging sales will slash revenue by about \$500 million, \$140 million more than will be raised by the fringe benefits tax.

Government officials challenge this figure, however, saying that rapidly rising car prices will soften the revenue impact of lower sales and bring the losses closer to \$100 million.

The crisis in the car industry was highlighted yesterday by figures showing motor vehicle registrations had fallen by almost a third over the year to October, to their lowest level since August 1972.

The executive director of the NSW Motor Traders' Association, Mr Don Holstock, said Canberra was continuing to "cut off its nose to spite its face" by refusing to alter the FBT.

The FBT was the linchpin behind the "disastrous" decline in new vehicle sales, which on current predictions will see 530,000 vehicles registered in 1986, down 165,000 on the 1985 record total of 695,000.

"We've taken out the 6 per cent of government vehicles that are non-sales taxable and done our

research based on the average sales tax for a Ford Falcon or Holden Commodore of around \$2,360," Mr Holstock said.

"On the market predictions of a 22 per cent fall in sales over 1986, that means a loss of around \$379 million in sales tax and a further \$165 million loss in import duty, because of the drop in the number of fully imported vehicles."

Government officials say the MTA calculations fail to account for sharp rises in car prices for both imported and locally produced cars due to the fall in the dollar.

When the expected 22 per cent fall in cars sold in 1986 is adjusted for price rises — 16.5 per cent over the year to September — the \$379 million sales tax loss falls to below \$100 million. The customs duty shortfall is also likely to be much less than the \$165 million MTA estimate.

The comparison with 1985 — a record year in which sales were boosted by people buying ahead of anticipated price rises — also exaggerated the tax losses in the 1986-87 Budget year, officials said.

A spokesman for the Treasurer, Mr Keating, said that the Budget had predicted "subdued growth in private consumption expenditure", and a consequent fall in sales tax income.

"Central to the MTA's thesis, however, is that the fringe benefits tax is totally responsible for the

fall in new vehicle sales, and that is simply not true," he said.

Another official said sales figures showed that there has been a greater decline in private car sales, which are not affected by the FBT, than in company fleet sales.

He said sales had fallen for a variety of reasons, the most noticeable being the depreciation of the dollar and consequent impact on new vehicle prices, notably for fully imported Japanese cars.

"Interest rates have also been very high, so people have been inclined not to buy cars," he said.

Mr Holstock acknowledged there were other factors behind the sales decline, especially the rapid rise in prices caused by the plunge in the value of the dollar.

But he said FBT was having the main effect.

"It's the main thing hitting commercial sales, which account for over 40 per cent of the total."

The spokesman for Mr Keating emphasised there would be no watering down of the FBT, but said that the Government was conscious of the extent of the vehicle sales slump.

"We are not oblivious to the extent of the fall or impervious to the difficulties facing the industry. We will be watching the situation."

The slump is also hitting State government coffers.

In NSW, which accounts for about 38 per cent of the market, the State Government raises about \$280 in stamp duty charges for every new vehicle sold.

With 40,000 fewer vehicles sold than last year, it is set to lose \$11.2 million in stamp duty taxes this year.

A spokesman for the NSW Treasurer, Mr Booth, said last night he was aware of the position in the new vehicle market and the potential impact on stamp duty revenues.

"We accept the predictions put forward for vehicle sales this year by the industry statistical gatherers, but we are still looking at the impact that might have" he said.

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CSO: 4200/223

DOMESTIC COMPUTER DEAL COSTS BILLIONS IN LOST TAX

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 2

[Article by Margaret Harris]

[Text] A decision to buy Australian has cost the Australian Taxation Office billions of dollars in lost revenue because of a two-year delay in the delivery of Australian-made computer hardware.

A House of Representatives Standing Committee on Expenditure report, released on November 11 this year, claimed that the Tax Office had lost \$2 billion a year in revenue because failure to keep up with computer advances had led to a loss of collected tax revenue.

Part of that failure was due to a two-year delay in production and delivery of equipment ordered from an Australian computer hardware company.

The company, Time Office Computers, has since failed--a direct result of its problems in filling the Tax Office's order--and its patents and trading name have been bought by another Australian company, HRC Technologies Ltd.

The Tax Office is planning a major overhaul of its computer equipment which will replace all its systems--including equipment it has recently received from Time Office Computers.

In 1983 the Tax Office's branch of the Federated Clerks' Union won an agreement concerning prevention of repetition strain injury. Part of this was a promise that existing hardware, described by one union official as "junk, old, and falling apart" would be replaced.

When approached by the Tax Office, TOC produced designs and models of its hardware and as Mr Phil Gardiner, assistant secretary of the FCU, tax officers' branch, put it "they (Tax Office management) saw this thing which promised the world--and on paper it looked magnificent".

To limit delays, the Tax Office avoided calling for tenders, took the proposals to Cabinet, and was given permission to place a large order--initially for \$14 million, reduced to \$9 million--with Time Office Computers.

Not calling for tenders "was probably the Tax Office's biggest mistake", Mr Gardiner said.

The keyboards, in particular, were rejected by the staff because they required too much finger tip pressure to operate. At this stage, the Tax Office decided not to pay TOC any of the promised \$9 million until satisfactory equipment was in place.

The House of Representatives committee report claimed that the Tax Office had under-spent on its technology, but a significant part of the unspent money was the \$9 million the office refused to hand over to TOC until it had the promised equipment.

Without the \$9 million, TOC found it could not pay suppliers, and, as Mr Stuart Cribb, ACT sales manager for what is now known as HRC-Time, put it: "Obviously we ran out of money."

When TOC won the Tax Office contract, the deadline for delivery was July 1984. The equipment arrived in July 1986, and Tax Office staff are still unhappy with some aspects of it.

The Tax Office now plans an update of all computer systems including a replacement of its main frame computer and hardware. This will take at least eight years, so the hard-won TOC equipment will not be wasted.

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SLIGHT ECONOMIC GAIN SHOWS BUDGET STRATEGY INTACT

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 3

[Article by Steve Burrell]

[Text]

CANBERRA: The Australian economy showed signs of emerging slowly from a shallow recession in the September quarter, with an economic expansion of 0.2 per cent based on an improved trade performance.

Although the Government cautiously played down the figures, emphasising the need for continued restraint on the long road to recovery, they indicate that the Budget strategy remains largely intact.

The sluggish growth in non-farm domestic product adjusted for inflation and seasonal factors — the accepted measure of economic expansion — follows a similar figure for the June quarter and declines over the previous six months.

Growth over the six months to September, expressed in annual terms, rose by 0.8 per cent after falling at a rate of 1.4 per cent in the June quarter, suggesting that the recession may have bottomed.

The figures also show that the Government's efforts to shift the focus of growth from domestic demand to the trade sector may have begun to bear fruit.

Exports grew and imports contracted in response to the slowdown in the domestic economy and improved competitiveness,

while domestic demand shaved 0.1 percentage points from growth.

But the figures contained no evidence that business has stepped up investment in plant and equipment to take advantage of new opportunities.

The Treasurer, Mr Keating, said yesterday that the Government's Budget predictions were broadly on track, but warned that the road to recovery would be "a long and hard one".

He continued to be optimistic that increased competitiveness and a tough spending and wages policy would begin to ease the trade problem, but repeated warnings that interest rates would remain high until definite signs of improvement emerged.

"To state the strategy is on track is in no way to downplay the enormity of the task that we face," Mr Keating told a merchant banking conference in Sydney yesterday.

"While we would all desire lower interest rates, we have no intention of relaxing monetary policy prematurely.

"Monetary policy discipline will be maintained until the current account trends the right way."

But he stressed that a prolonged reliance on high interest rates was not sustainable, saying that the Government would pursue tough wages and spending policy to pave the way for recovery.

The national accounts figures suggest that the trade sector may have begun to replace domestic demand as the engine of growth.

While a contraction in domestic demand lopped 0.1 per cent from growth, the 0.3 per cent contribution from so-called net exports — export expansion and import replacement — was larger than overall economic growth.

The figures are broadly consistent with Government predictions, which have been recently revised to show that all of the estimated 2.25 per cent growth in GDP in 1986-87 will come from net exports and none from domestic demand.

The figures showed that export volumes grew by 2.4 per cent over the quarter, with imports up by 0.7 per cent. Imports were down 4.6 per cent over the year.

Some officials cast doubt on the figures, and said they expected revised figures to show a fall in import volumes in September.

BHP PAYS 'DEARLY' FOR SOUTH AFRICA SELLOFF

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 22

[Article by Geoffrey Shuttleworth in Johannesburg]

[Text] A little-traded South African property company, Aurochs, could be the final resting place for unwanted BHP-owned mining prospects in South Africa.

Southern Sphere, a wholly owned subsidiary of Utah International, based in California, and itself wholly owned by BHP, is on the point of disposing of all its second-line mining prospects.

What amounts to disinvestment has cost BHP dearly but the company still has two major projects in South Africa which it is not parting with.

In March this year Southern was interested in disposing of its small projects via a joint float. These included two small unwanted mining prospects in South Africa.

The Southern move led to litigation between it and its partners, Messrs Bernt Honeth and Sean Keegan. At the time of the proposed float, Southern's South African assets were valued at 30 million rand (\$A21 million) and its partners' assets another 10.5 million rand.

Southern then hawked its projects all over Johannesburg with a price tag of only 10-12 million rand but there were no takers.

However, three weeks ago a South African stockbroker, Anderson and Wilson, proposed a new listing.

The outcome of this is that Mr Honeth and Mr Keegan are to drop their 12 million rand litigation against Southern. In turn, Southern is to dispose of all the assets to the two men for a paltry 5.75 million rand.

Southern managing director Mr Ken Barnard refers all calls to Utah, where Mr Robert Wheaton, vice-president projects development, says he has no knowledge of any proposed new listing and had no comment on the proposed disposals.

Southern's most valuable assets--a 70 per cent stake in a 1 billion tonne Delmas coalfield and a 30 per cent stake in Sun Prospecting and Mining, an Anglovaal gold exploration prospect in the Northern Free State--were always excluded from the joint listing.

It is believed Utah injected fresh funds into South Africa, before the mid-November cutoff for new US investment, but Wheaton continues to duck the question, preferring not to comment.

The new valuation of the former Southern and Honeth/Keegan assets has been dramatically increased to 38 million rand. If successfully listed, it shows that the cost of disinvestment from South Africa can be extraordinarily high.

But BHP may still strike it rich as the Anglovaal gold prospect is in an advanced stage of development. A rights offer to fund final drilling is expected soon and it looks as if BHP has the funds ready to follow its rights.

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CSO: 4200/223

HEAVIER JAPANESE INVESTMENT NOTED IN NEW SOUTH WALES

Sydney THE SYDNEY MORNING HERALD in English 27 Nov 86 p 21

[Article by Stephen Hutcheon]

[Text]

Japan was the major source and NSW the main recipient of a record \$9.8 billion in proposed foreign investment which was referred to the Federal Government for approval in 1985-86.

According to the latest Foreign Investment Review Board annual report, the 1985-86 total was more than twice the size of the previous year's \$4.6 billion.

The major contribution to the total came from investment proposals relating to the establishment of foreign banks and foreign merchant banks. This sector accounted for an investment of \$2.8 billion in the period.

The FIRB said that 14 banks and 30 merchant banks were approved under foreign investment policy and that further investments filtered in as a result of the decision to grant foreign exchange licences to merchant banks, many of which

then increased their capital bases.

The total was further inflated by investment proposals totalling \$2.2 billion which came from Australians in partnership with foreign interests.

The FIRB has calculated that if the investment anomalies were excluded from the total, total expected investment in 1985-86 would have been almost steady at about \$5 billion.

The report shows that a total of 1,290 proposals were approved in the year and that 20 were rejected. Of the approvals, 45 per cent were agreed to without conditions, while the remainder had conditions attached.

The rejection rate of 1.5 per cent is by far the lowest in the past four years, reflecting the increasing pace of liberalisation of foreign investment policy in the past few years.

The high level of intended investment in the manufacturing sector - \$1.6 billion - was due

mainly to a handful of large takeover proposals, while investor interest in the service industries remained strong at \$2.6 billion.

Japan was the major source of foreign investment activity, ranking above the UK and the US, and accounted for \$1.93 billion of the total (\$381 million previously).

The lion's share of the foreign investment was made in NSW and accounted for \$2.69 billion of the total. Victoria was second with \$1.91 billion.

Of those who sold their Australian interest to foreign investors, 16 per cent claimed it was because of liquidity difficulties and a further 16 per cent said that it was due to a desire to take profits.

Of the buyers proposing to acquire shares or other assets, 16 per cent said they were driven by a need to maintain business viability or increase employment, while only 2 per cent said it was because they wanted to provide benefits to shareholders.

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BRIEFS

HAYDEN ON FOREIGN AID CUTS--The Minister for Foreign Affairs, Mr Hayden, admitted again yesterday that he was embarrassed about cuts to overseas aid. However, he hoped the "lost ground" could be made up as the economy recovered. Mr Hayden's remarks that he was "acutely embarrassed" at having to preside over the cuts this year are his most direct since the Budget. The Budget cut followed a commitment from Mr Hayden late last year that aid would progressively rise. Overseas aid as a proportion of the Gross Domestic Product is at its lowest in 20 years. The Federal Government broke the aid agreement with Papua New Guinea this year, cutting--without notice--\$10 million from it and foreshadowing cuts of up to \$45 million next year. [By Ross Peake] [Text] [Sydney THE AUSTRALIAN in English 28 Nov 86 p 3] /6091

CLOTHING SECTOR INCLUDED IN CER--Wellington, Friday--The clothing sector, one of the few industries not covered by the 1983 trans-Tasman Closer Economic Relations (CER) pact, has now been included in the treaty, the New Zealand Trade and Industry Minister, Mr David Caygill, said today. Mr Caygill said he and Senator Button negotiated the industry's inclusion last week. Under the new agreement, the once heavily protected New Zealand clothing industry will be allowed, from 1988, to export \$A10 million worth of clothing on top of the \$A13.7 million now being exported to Australia each year. This figure would increase by \$A10 million a year until 1995, when quantity restrictions and a 15 per cent tariff on both sides would be abandoned. NZ would grant the same access to the Australian clothing industry, from which it now imports about \$A2.5 million worth of goods. [Text] [Sydney THE SYDNEY MORNING HERALD in English 29 Nov 86 p 7] /6091

CSO: 4200/223

PPP OFFICIAL OPTIMISTIC ABOUT UPCOMING ELECTIONS

Jakarta PELITA in Indonesian 5 Nov 86 pp 1, 9

[Text] Jakarta, PELITA—The Development Unity Party (PPP) is not experiencing many technical problems as it prepares for the 1987 PEMILU [general elections]. "Everything is moving smoothly, including the provisional registration of candidates with the LPU [General Election Institute]. Only a few forms have been returned for failure to meet requirements," said Drs Mardinsyah, Secretary General of the PPP DPP [Central Executive Council] in an interview with PELITA yesterday afternoon at his office.

"I am confident that the next elections will go better than the previous ones, because the laws we have now appear to be better. We must be able to maintain the unity and integrity of the nation in the elections. The elections are also a means of political education for the nation," he declared.

Targets

When asked about targets for the 1987 PEMILU, the secretary general replied optimistically, "We want to do better than we did in previous elections. That's the PPP's target. How many seats will we win? I don't think that's necessary for me to say."

As for speculations that PPP votes will be reduced by the NU [Nahdatul Ulama] statement that it is independent of the PPP, Mardinsyah is convinced that the PPP will reach its target. "That's especially true now, for our people are increasingly discriminating in casting their votes. They cannot be stopped or influenced in exercising their right to vote. I am sure of that," he emphasized.

Raising Money

Mardinsyah said the financial aspect should not be minimized and that funds are at a standstill. "In fact, money is the only problem. For that reason, the party continues to collect a fee from each candidate for the DPR [Parliament], not for the personal gain of anyone but for the interests of the party," he stated.

Who else, asked Mardinsyah, will finance the party if not its members? Such aid is used to finance the various activities of the party. "They include, for example, precampaign activities and the campaign itself. The party pays the expenses, beginning at PEMILU and continuing until a person becomes a member of the legislative body," he declared.

Indeed, Mardinsyah added, about 8 or 9 percent of a candidate's income for 5 years in the DPR is expected as a contribution. "I feel it is fitting that the party should be financed by its members," he explained.

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CSO: 4213/22

BOOKS BY NU FIGURES URGE MEMBERS TO VOTE FOR GOLKAR

Jakarta TEMPO in Indonesian 1 Nov 86 p 12

[Article by Saur Hutabarat: "A Yellow Book From the Krapyak Islamic Boarding School"]

[Text] A 52-page book with a yellow cover and mediocre print has startled many regents, especially in East Java. The book is "The NU [Nahdatul Ulama] and the PEMILU [general elections]," which was written by a little known author and published with a foreword from KH [Islamic teacher and hajji] Ali Ma'shum, former general chairman of the NU.

It is startling, because the book, which is distributed by mail, is directed only at regents whose territories are known as strongholds of the NU. "There are 200 regents in Java, Sumatra, Sulawesi, and Kalimantan whose territories have strong NU memberships and who received the book," said Saiful Mujab, deputy chairman of the NU PB [Executive Council], which published the book.

In East Java, especially, the book has become a subject of conversation among public administrators. The book appears to be a subtle announcement that NU members are now advised to vote for GOLKAR.

The thin book, as explained by KH Ali Ma'shum in his foreword, contains a discussion of what the NU attitude should be toward practical politics. There is an explanation of the NU's position since severing connections with the PPP [Development Unity Party] at the Situbondo Congress (1983). There is also a repetition of guidance from General Chairman KH Ahmad Siddiq, the gist of which is that voting for the PPP is not obligatory. There is also an explicit study of the unity among officials and Muslim scholars. For example, the book cites visits by MENSESNEG [Minister of State and State Secretary] Sudharmono, who is also general chairman of the GOLKAR DPP [Central Executive Council], to Islamic boarding schools like the one at Krapyak, Yogya, which is directed by KH Ali Ma'shum, who once served as NU general chairman. A. Zuhdi Mukhdlor's book closes with "gratefulness for national development."

There is nothing new in the book except that it gives the distinct impression that NU members will do better by voting for GOLKAR. That impression is strengthened by the fact that the book is not merely disseminated among NU members but is intentionally directed toward regents, who are members of

GOLKAR. "It is my hope that after reading the book the regents will distribute it to their subordinates," said Saiful Mujab.

What does Saiful Mujab hope to accomplish? As an organization, the NU has dropped its ties with the PPP. "As the Prophet said, however, 'A good person is a person who is of use to other people,'" noted Mujab. "And if we look, we see that it is GOLKAR that is of use. GOLKAR has build mosques, given religious training, and publicized Islamic boarding schools even on TV. The PPP has never done any of those things. For that reason, I personally urge NU members to vote for GOLKAR."

Photocopies of the book reportedly have reached the hands of directors of the Regional Level II DPD [Regional Executive Council] of GOLKAR. In fact, the book was talked about among those attending the GOLKAR East Java leadership meeting held recently at Pandaan.

NU, an Islamic organization in the interior of Java, is based primarily in East Java. After NU dropped its ties with the PPP, NU members became truly unaffiliated. Probably as a result of that, not only is the yellow book, "The NU and PEMILU," being circulated, but another book with a long title is being distributed like a pamphlet. Its title is "NU Members Must Make the PEMILU a Success. No Need To Vote for the PPP."

The latter book, which has a green cover, was authored by Drs Soenardji Dahri, deputy chairman of the NU Branch at Gresik. A foreword for the book was written by Saiful Mujab. It costs 500 rupiahs a copy and is selling fast. "Sixteen thousand copies have been sold," said Soenardji. Circulation of the book was limited to Gresik at first but quickly spread to Pasuruan, Kediri, and Jember.

There are two reasons for the book's popularity. First, government officials at Gresik have reportedly supported Soenardji's efforts, because he is the only NU leader at Gresik who frankly says NU members should vote for GOLKAR. Secondly, according to one source, "The book was published at a moment when NU members were unsettled."

Many NU members appeared to be confused as to whom they should vote for in the PEMILU. Because of NU strength as a political organization and the long-held view that NU was affiliated with the PPP, it may have occurred to some that the dropping of ties with the PPP means becoming a member of GOLPUT [the group that refuses to vote].

It was NU General Chairman KH Ahmad Siddiq himself who said that there were whispers of moving toward GOLPUT. Consequently, he felt it necessary to state the guidance that to vote is obligatory. It is not obligatory to vote for the PPP. What does "not obligatory" mean? "'Sunah' [certain meritorious practices] are not obligatory. 'Makruh' [deeds canonically frowned upon] and 'haram' [deeds canonically forbidden] are also not obligatory," Kiai [Islamic teacher] Siddiq declared. The NU has dropped its organizational ties with any political

organization. Like a person standing on his feet, he said, the NU is at the same distance from the three contestants.

Now, however, NU figures appear to be intimating that NU members should not vote for the PPP but rather for GOLKAR. Unending controversy within the PPP merely over who gets seats has nauseated many foremost NU people. "Many NU people have withdrawn from PPP commissioner positions," a TEMPO source said.

The statement that voting for the PPP is not obligatory was not seen as enough to provide assurance on election day. Therefore, the guidance of Kiai Siddiq now appears in a more specific statement on the front cover of the yellow book: "It is not obligatory to vote for the PPP. It is not 'haram' to vote for GOLKAR. It is not evil to vote for the PDI [Indonesian Democratic Party]. But GOLPUT? That is 'haram.'"

NU is an organization of Islamic teachers, and it is among them that the policy of keeping distance from the PPP is appearing. Some of them have openly joined GOLKAR, reportedly including Kiai Hasan Saifurridzal. He is the head of the Zainul Hassan Islamic Boarding School and a prominent Islamic teacher in East Java. There is also the attitude of Kiai Ali Ma'shum, who has been an encouragement to Pangeran [prince] Mangkubumi, chairman of the GOLKAR DPD of Yogya. Thus, a decline in the strength of the PPP under the leadership of Naro clearly cannot be avoided.

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CSO: 4213/22

LEGAL AID INSTITUTE LEADERS ON ROLE OF ORGANIZATION

Original Goals

Jakarta PELITA in Indonesian 6 Nov 86 p 12

[Text] Jakarta, PELITA--Whatever the name of the legal aid concept used by the Legal Aid Institute (LBH), the LBH will not deviate from the basic motivation and goals it had at the time of its founding. Negative reactions to the LBH constitute a risk that must be accepted.

Adnan Buyung Nasution, SH [master of laws], one of the founders of the LBH, emphasized this in a meeting with community self-help management organizations/community self-help organizations (LPSM/LSM) at the Cultural Hall Building in Jakarta on Wednesday afternoon [5 November].

The meeting was held in connection with the celebration of the 16th anniversary of the LBH. Those present were Erna Witoelar (Consumer Institute Foundation), M.M. Billah (Village Development), Engr Zulkarnaen, MS (Self-Support Foundation), and Myra (the Kalyara Mitra organization).

Will Not Change

Commenting on criticism and suggestions made by LPSM/LSM activists, Buyung Nasution said it was necessary to reemphasize the basic motivation and goals that brought about the founding of the LBH in order to make it clear that, whatever the name of the legal aid concept used by the LBH, the LBH will not change.

M.M. Billah had said earlier that a redefinition was needed of the legal aid the LBH has been giving. Using the term "16th anniversary" means that the celebration refers to a phase of the LBH's life.

If that is the intention, said Billah, the LBH should articulate a new concept for its third 8-year period. The concept of structural legal aid was put forth at the beginning of the second 8-year period. "What is the name of the concept this time?"

Buyung did not reject Billah's appraisal, apparently feeling it should be noted again that using a name for its legal aid concept does not mean the LBH

has deviated from its basic motivation and goals. All uncertainty about the LBH should thereby be eliminated. "The concept is used only to facilitate the LBH's approach."

Narrow-Minded

Buyung also spoke yesterday of the bitter early history of the LBH. The LBH has two objectives. First, it is a protagonist of humanitarianism. The LBH frankly takes the side of the poor and those whose rights have been denied.

Secondly, the LBH also strives for aspirations of nationhood and statehood. Through helping the little man, the weak, the destitute, and the poor, an egalitarian society will be achieved, and, in turn, a democratic society.

"Those two objectives are intertwined. The first is an integral part of the second. Compassion will be enough for reaching the first goal, but this is a question of humanitarianism within the state," he declared.

Buyung had debated with a KOPKAMTIB [Command for the Restoration of Security and Order] official on this subject in 1973. At that time, Buyung explained, regional establishment of the LBH was prohibited. "I asked the official why LBH was banned. Do you know what his answer was?" he asked, provoking the interest of his audience.

That official, Buyung continued, considered the LBH to be following structuralist-communist thought because the LBH was openly taking the side of the poorest people. "Now, that is narrow, dangerous thinking," he said.

Government-LBH Cooperation

Jakarta PELITA in Indonesian 10 Nov 86 p 2

[Text] Jakarta, PELITA--There is an impression that the LBH plays the role of opponent, but there are, in fact, many things that can spur the government and the LBH to work together, according to Adnan Buyung Nasution, SH, one of the founders of the LBH and now a member of the Board of Trustees of the YLBHI [Indonesian LBH Foundation].

T. Mulya Lubis, SH, LLM, chairman of the Board of Directors of the YLBHI, feels that the time has come to form a legal aid community for the support of legal aid activities and goals. No one had thought of that before.

The two LBH figures made these statements in a meeting with reporters on Friday afternoon [7 November] at the Cultural Hall Building in Jakarta. This was the last meeting held in connection with the celebration of the 16th anniversary of the LBH. Meetings had been held earlier with the artistic and cultural community and with LPSM/LSM representatives.

Like An Opponent

Adnan Buyung Nasution said he could understand why the LBH gives the impression to some members of the community of being an opponent. Given the nature and image of the LBH's work, that impression is certain to be made. "Also, the work of the LBH is done through talking," explained the founder of the LBH.

Unlike its colleagues, he added, the LBH, as a protagonist of law and justice, must be willing to speak when it is questioned. Other LPSM/LSM groups can work without needing to speak. For example, an LSM that builds or repairs bridges does its work through technical means.

The LBH cannot work that way. In each case of violation of the law or human rights, the LBH must speak. If a member of the community asks about the modification of law to cover such cases, the LBH must respond. That then creates the impression of being an opponent.

Buyung stated he does not regret the impression. It is a logical consequence, he said. "Nevertheless, the government need not be troubled by such an impression. There are many legal matters in which the government and the LBH can cooperate," declared the member of the YLBHI Board of Trustees. He then cited community legal information programs as an example.

Cooperation Necessary

T. Mulya Lubis said that cooperation between the LBH and other legal aid organizations is necessary if an egalitarian and democratic society is to be formed. "The LBH does not consider itself to be, and does not want to be, the only player in providing legal aid services to the underprivileged community," he declared.

At another point in his remarks, T. Mulya said that the need for cooperation is increasingly pressing in light of past experience. Individuals or groups once defended by the LBH have almost no further contact with the LBH. The same is true of LBH alumni.

Mulya therefore supports the efforts of the director of the Jakarta LBH, Abdul Hakim G. Nusantara, to unite LBH alumni now on the outside. That is to be done through the formation of ALBHA (Jakarta Legal Aid Institute Alumni). Mulya hopes what has been done in the past will thereby become more effective.

T. Mulya Lubis and Adnan Buyung Nasution made their statements in response to criticism and questions from reporters. Journalists present yesterday were Panda Nababan (PRIORITAS), A.M. Dewabrata (KOMPAS), Imron Pangkapi (BISNIS INDONESIA), and Pia Alisjahbana (FEMINA).

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CSO: 4213/22

REGULATIONS EASED FOR EXPATRIATE WORKER PERMITS

Jakarta KOMPAS in Indonesian 1 Nov 86 pp 1, 12

[Excerpts] Jakarta, KOMPAS--The Indonesian government has relaxed foreign worker regulations for businesses and organizations in Indonesia. A business or organization will no longer be required to obtain a permit for utilizing a foreign worker when arranging a business visit for a person who will not be put to work.

Minister of Manpower [MENAKER] SUDOMO made this announcement at a press conference on Friday morning [31 October] in Jakarta.

The measure was incorporated in MENAKER Directive KEP 1110/MEN/1986, dated 28 October 1986.

Sudomo said the step was taken to facilitate business activity and the investment of capital in Indonesia. The MENAKER's effort is in line with a provision of Directive of the Indonesian Minister of Justice M. 01.1201.02, which exempts foreign businessmen visiting Indonesia from the necessity of possessing a visa, as long as their visits are not for employment. "Thus, a business or organization being visited is exempt from possessing a permit to employ a foreign worker," stated Sudomo.

Not for Working

Sudomo detailed the types of business visits to Indonesia that are exempt from permits for employment of foreigners. They are, for example, field tours, talks about goods to be bought or sold by import or export firms, and talks with heads of firms in Indonesia that have connections related to investment or production with the foreign firm.

Other cases are visits by businessmen to discuss transactions, investigate possible investment in Indonesia, attend international trade shows, give lectures, attend noncommercial seminars, or participate in meetings with Indonesian government offices in Jakarta or with branch offices.

In addition, organizations or businesses are exempt from permit requirements for the visits of foreign journalists, provided they have approval from authorities with jurisdiction over them.

Director and Manager

Sudomo also revealed a new policy on the use of foreign personnel as director or financial manager of businesses involved in domestic capital investment [PMDN]. The policy was incorporated in MENAKER Directive 1111/1986, dated 31 October 1986.

Under that directive, a PMDN firm receiving a foreign loan may use foreign personnel as director or financial manager, with the stipulation that his term of office will coincide with the investment loan contract period. Conditions are a minimum investment of \$10 million, with a foreign investment loan of at least \$7.5 million and domestic capital of at least \$2.5 million.

Existing regulations still apply to procedures for obtaining permits for the employment of foreign workers by PMDN firms, according to Sudomo.

Sudomo said further that foreign workers now total about 16,000. Of those, 8,000 are managers, and the rest are classified as technicians. In fiscal 1985-86, there were 4,660 positions with limitations set by the Indonesian government on foreign workers. There were 4,294 such positions in 1983-84 and 4,328 in 1984-85.

6942

CSO: 4213/22

CONDITION OF TRANSMIGRANTS IN SUMATRA REPORTED DEPLORABLE

Jakarta HARIAN UMUM AB in Indonesian 3 Nov 86 p 3

[Text] Medan, AB--Transmigrants at Madumas, Central Tapanuli Regency, North Sumatra, have been unable to cultivate their fields. They have planted rice for several years, but harvests have not met their daily food needs. Other crops have also been unsatisfactory.

Following a recent middle-level Islamic preaching assignment, Ustaz [religious teacher] Nurhasyim Hasibuan told KNI (National News Service) that because of their lack of agricultural success the transmigrants have been forced to eat cassava.

Ustaz Nurhasyim Hasibuan was sent to Madumas by the North Sumatra Religious Teachers Association, with the approval of the North Sumatra Level I MUSPIDA [Regional Executive Council], to present a sermon on national development.

Response of Regional Office

Upon being questioned by Ustaz Nurhasyim Hasibuan, the North Sumatra KAKANWIL [chief of Regional Office] for Transmigration replied that transmigration authorities are responsible only for moving the people and providing funds for 1 year. The provision of funds beyond that is not their responsibility. Because the matter is therefore a national issue, all authorities, including the Department of Agriculture, should help.

Ustaz Nurhasyim declared that the condition of transmigrants at Madumas is deplorable. Because of their isolated location, they are unable to get jobs at other places.

Barus, capital of the Sorkam Subdistrict, is about 20 kilometers from the transmigrant settlement, and, because there are no busses, the trip has to be made on foot.

They are forced to eat cassava in order to live and raise their families, while they hope for better rice harvests or help from visitors.

In spite of their deplorable situation, they gathered in one place to hear the speech by Ustaz on the government's program for development in every sector for the purpose of achieving the prosperity based on Pancasila and the 1945 Constitution that all Indonesians desire.

6942

CS0: 4213/22

OFFICIALS ON INDONESIAN WORKERS IN MALAYSIA

Jakarta KOMPAS in Indonesian 3 Nov 86 pp 1, 8

[Text] Kuala Lumpur, KOMPAS--Indonesian Ambassador to Malaysia Himawan Soetanto declared that TKI (Indonesian workers) who come to Malaysia have a large share in development there. He regretted that the presence of Indonesian workers has recently been made a political issue by some Malaysian groups. Himawan Soetanto presented this issue to KOMPAS journalist Albert Kuhon in Kuala Lumpur last Sunday afternoon [2 November] .

Himawan, who was accompanied by Press Attache Martoyo and Immigration Attache R. Subagio, also said that about 21,000 Indonesian workers have entered Malaysia officially but that the number of unauthorized visitors is hard to determine. "It is not possible for us to count them. Generally, they are afraid to report to the embassy," Himawan added.

Manpower Attache Fachri Daharuddin, who was interviewed separately, confirmed that unauthorized visitors have become a political issue and are no longer merely an immigration problem. "The basic problem probably relates to opportunities for making a living under the present difficult economy," Fachri continued.

Differences Must Be Noted

Fachri also explained that Indonesians in Malaysia should be categorized into two large groups. Authorized visitors consist of Indonesian workers sent under the Offshore Labor Placement Program (AKAN) and visitors who are not workers. Unauthorized visitors can be divided into those who enter Malaysia without valid immigration papers, those who have immigration papers but do not have residence permits, and those whose passports have expired but who have not renewed them. "When referring to Indonesian workers, it must be made clear which group is intended," said Fachri further.

A KOMPAS source in Kuala Lumpur said unauthorized visitors from Indonesia are employed on estates and in construction. In Sabah, most unauthorized visitors from Indonesia work on estates. Thus, firms in Sabah see them as very useful additions to the work force. On the Malay Peninsula, however, most unauthorized visitors work in construction, and some work on a few estates.

Job Opportunities

The KOMPAS source said further that several years ago, while the economy was quite strong, unauthorized visitors from Indonesia were not an issue. Jobs were plentiful, and, in fact, Malaysia suffered a manpower shortage. As an example, some development in Malaysia went ahead only because of help from Indonesian workers. Such development included several universities, which at their inception used teaching personnel from Indonesia. The source also pointed out that most of the workers engaged in building the bridge between the Malay Peninsula and Penang were Indonesians. The bridge, which is about 15 kilometers long, was inaugurated by Prime Minister Mahathir and has been in use for about a year.

Recently, however, the Malaysian economy has declined as an effect of worldwide recession. The number of people laid off in Malaysia has been considerable, resulting in competition for jobs between Malaysians and foreigners. Consequently, the issue of unauthorized visitors has become an issue.

Furthermore, the KOMPAS source said, there are certain groups that do not want the Malaysian population to increase. Unauthorized visitors from Indonesia are viewed as changing the composition of the population. "That is the reason unauthorized visitors are an issue as Malaysian parliamentary debates approach," the KOMPAS source added.

Regretted

Indonesian Ambassador Himawan Soetanto regrets reports being disseminated about unauthorized visitors from Indonesia. If those reports are not responded to carefully, the good relations between Indonesia and Malaysia could be damaged. "But if they are not responded to at all, people will think they are true," Himawan said further.

Sensational reports about unauthorized visitors from Indonesia have appeared recently. One Malaysian newspaper reported that unauthorized visitors have been propagating religion in Malaysia. Another reported that many of the unauthorized visitors from Indonesia have committed crimes and even murder. "There have indeed been many tendentious reports," added Press Attache Martoyo.

As of last June, official visitors to Malaysia totaled 21,000, whereas in Sabah, according to Fachri, they number 64,000. "Because businesses in Sabah need the manpower, they still welcome the presence of Indonesians," Fachri said.

6942

CSO: 4213/22

ROK COMPANY TO CONTINUE MADURA OIL OPERATION

Jakarta KOMPAS in Indonesian 7 Nov 86 p 2

[Text] Jakarta, KOMPAS--Kodeco, a South Korean oil company cooperating with PERTAMINA [National Oil and Natural Gas Company] in drilling for oil in offshore waters of Madura, denied it will cease operating in Indonesia. The South Korean Department of Energy is expected this week to issue a correction to an inaccurate report about the oilfield.

A KOMPAS source made this statement on Thursday [6 November] with respect to a report disseminated in Seoul, South Korea, on Wednesday [5 November]. The information was also passed to PERTAMINA.

A government source in Seoul had said on Wednesday that the government will postpone development of the oil project in the offshore waters of Madura because the oilfield has been unprofitable.

It was stated that South Korea has invested about \$120 million in the joint project since 1981 but that it has earned only \$30 million since oil production began in September 1985.

Plans called for production of 10,000 to 15,000 barrels of crude oil per day over 8 years, but production has now dropped drastically to 2,000 to 3,000 barrels per day.

Confirmation

Kodeco Vice President Lee Hui Mok, who just arrived from Seoul, also denied the report. He said Kodeco had continued to receive confirmation from Pedeco, a government-controlled company, that Kodeco continues to be supported in its oil exploration and production in those waters. Furthermore, Kodeco will develop a natural gas project to meet needs in East Java.

The gas project, which is a new one, is also supported by the South Korean government. A budget of about \$226 million is to be provided for the project, which will supply 100 to 150 million cubic meters of gas per day over 12 years, beginning in 1988.

The Madura offshore field was managed at first by J.R. Butler, a U.S. firm, which evaluated the field as unprofitable and left it.

Cooperation between Kodeco and PERTAMINA was agreed to in 1981. Development has since absorbed \$162 million. Of that sum, \$126 million was invested by Kodeco, \$88.9 million of which was used for seismic exploration and \$37.1 million for oil well development. About 1.8 billion barrels of oil have been produced by the field since operations began.

6942

CSO: 4213/22

OPPOSITION NOTES DOUGLAS 'DISTANCE' FROM LEFT

Wellington THE EVENING POST in English 1 Dec 86 p 3

[Text]

Finance Minister Roger Douglas has distanced himself from the Broad Left of the Labour Party, claims Chief Opposition Whip Don McKinnon.

Mr McKinnon has put nine written questions to Mr Douglas, based on proposals raised in a paper produced by Sydenham MP Jim Anderton and economist Peter Harris, members of the Broad Left steering committee.

They include whether Mr Douglas accepts statements made by the Broad Left paper that the country will lose its economic sovereignty, regional balance, and "essentially New Zealand values."

Mr McKinnon quotes Mr Douglas's response to the last claim as an exam-

ple: "The aim of the Government's policy is to ensure that all New Zealanders have a chance to develop their own lives and their own values in a dignified and secure environment."

He says the Finance Minister's rejection of the Broad Left statements "takes all his Cabinet colleagues and under-secretaries with him" and rejects any suggestion the Labour Government will ever reach an accommodation with the group.

"I am surprised that Jim Anderton and his Broad Left colleagues, however small a group they are, can ever remain sitting in the same Caucus as Roger Douglas, given the distance between their beliefs."

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CSO: 4200/214

GOVERNMENT OPTIMISTTC DESPITE RISING FOREIGN DEBT

Wellington THE EVENING POST in English 2 Dec 86 p 1

[Article by Michael Hannah]

[Text] - New Zealand's balance of payments showed an expected worsening in October — but the Statistics Department believes improvements are starting to show through the gloom.

New Zealand spent \$253 million more than it earned in October. This was \$27 million more than the deficit shown in September on the country's current account.

Though the figures presented by the Statistics Department today showed a deterioration, statisticians pointed out that the low point in the deficit was about a \$70 million improvement on the same time last year.

So the normal seasonal improvement in the balance of payments, which occurs between November and about April — reflecting the bulk of our exports and a seasonal drop in imports — is expected to take the balance of payments out of the doldrums.

The \$253 million deficit was based on a "smoothing" process which removes considerable fluctuations in the current account balance from month to month.

The actual balance, unadjusted, showed an improvement of \$183 million to a deficit of \$196 million.

An unadjusted balance was also provided for the year to October, showing a slight worsening from a deficit of \$2786 million last year to a \$2810 million deficit this year.

Merchandise trade showed a surplus of \$8 million in October — down on the \$56 million surplus shown the previous month.

But the Statistics Department said the normal seasonal pattern was for the surplus on merchandise trade to be at its highest over the next six months — pointing to an improvement in this area.

The other figure that makes up the total balance of payments — invisibles, which include insurance, freight and the like — showed a deficit of \$261 million, compared with a \$281 million deficit in September.

□ Prime Minister David Lange reacted to today's increase in the balance of payments deficit by saying he thought the increase would have been more marked than it was.

Speaking on a radio talkback show in Masterton, Mr Lange said briefings he had received had made him think the deficit would have been more, and that some recalculation might have been necessary.

□ Finance Minister Roger Douglas today blamed Think Big projects for the deteriorating balance of payments deficit on invisibles.

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CSO: 4200/214

FINANCE MINISTER SAYS ECONOMY 'ON TRACK'

Wellington THE EVENING POST in English 2 Dec 86 p 1

[Text] The economy is still on track to 7 or 8 percent inflation next year, lower interest rates and sustainable growth, Finance Minister Roger Douglas said today.

He said inflation would be 7 or 8 percent in the 1987 calendar year, and would be lower after that.

He described the current round of rising interest rates as temporary and said they would fall in line with inflation.

Discussing the latest interest rate rises on Radio's Morning Report, Mr Douglas said they were not caused by any change in Government policy.

The Reserve Bank action that had triggered the rises was technical in nature and there had been no change to the Government's policy, which was to fully fund the Budget deficit through stock and bill tenders.

The aim was always to bring inflation down to that of New Zealand's trading partners.

"I have no doubt the policy will succeed," he said.

Asked how long this would take, Mr Douglas said the policy had already brought inflation down to 10 percent, discounting the one-off effect of gst which was balanced by tax cuts.

It has seen the internal deficit halved and the balance of payments deficit reduced, and sustainable growth was now possible.

Interest rates had been coming down over a period and would continue to fall despite the current position.

Mr Douglas said he had always commented, even when interest rates were steadily falling in midyear, that they would be volatile, and the latest rises confirmed that comment.

The Minister said most of the benefits from his reform packages had yet to come and he believed overseas investors, analysts and dealers fully understood that.

Benefits would flow from the wage round, the Government's moves on tax evasion, State sector reform and the continued drop in inflation.

"Things are difficult but improving," he said.

Later he added: "And most of the good news has yet to come."

Mr Douglas said he had not seen the balance of payments statistics due for release today and tomorrow. But he thought they would be in line, with expectations.

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CSO: 4200/214

LANGE EXPLAINS NEW MINISTRY

Wellington THE EVENING POST in English 2 Dec 86 p 8

[Text] The new Ministry for the Environment will strike a balance between the interests of development and those of the natural and human environment, Prime Minister David Lange said yesterday.

The first step in this Government's environmental reform had been to separate those organisations with different goals.

It meant separating commercial goals from conservation, also separating those responsible for policy advice, services to industry and regulatory control.

"Then comes the critical point. If we create organisations which have differing goals we must provide a means by which differences between them, when they happen, can be reconciled," said Mr Lange.

And this was where the Ministry for the Environment came in, he told those gathered for the launching of this new ministry.

It was the first of the new Government agencies to take over environmental responsibilities under the Public Service reorganisation.

The ministry would provide a means by which the demands of development are balanced against the demands of the natural and human environment, Mr Lange said.

"Its task is to ensure that our systems

of environmental management, whatever form they take, are accessible and accountable. It will review our extraordinary range of statutes dealing with resource use.

"It must in the end allow all the different values of environmental management to be expressed in the decision-making process," Mr Lange said.

He acknowledged the reservations of some of those interested in environmental management.

"There is some feeling for instance that some individuals or groups may be unable to participate effectively in the decision-making process. In some cases that may be appropriately remedied by the provision of legal advocacy or legal aid.

"These possibilities will be investigated," Mr Lange said.

He also acknowledged the concerns of developers who had expressed frustration at delays in getting planning approvals.

"Effective procedures cannot be endless procedures," Mr Lange said.

And to ensure the ministry and all the Government's environment agencies were "getting it right," there would be the Parliamentary Commissioner for the Environment. He would have the power to enquire and investigate to make sure this happened.

The former head of State Coal, Dr Roger Blakeley, will lead the ministry and its staff of 61.

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CSO: 4200/214

LANGE SAYS GOVERNMENT WILL CONTINUE ECONOMIC POLICY

Wellington THE EVENING POST in English 2 Dec 86 p 2

[Text] Worsening economic indicators, including a reassessment of New Zealand's international credit rating, could be expected over the next few weeks, Prime Minister David Lange warned yesterday.

But while he said there would be some "volatility," he denied a suggestion the economy was heading for a further trough or recession.

And he said the Government would continue with its strategy.

"We're going to carry on, we're going to keep on with the strategy and we're going to see it work."

"We are going to go through a period which will indicate that while very substantial progress has been made there will be some volatility.

"There will be some indicators in the next few days that will tend to show we have some way to go yet," he told reporters at a post-Cabinet press conference.

Last week, Finance Minister Roger Douglas warned that the economy had not yet finished its adjustment process.

While he said he was not pessimistic about the country's future, he added: "I believe it is only realistic to sound a note of caution to those who are looking

now for the results of our economic strategy. We are not out of the adjustment process yet."

Mr Lange said yesterday that an international credit rating agency, Standard and Poors, was assessing New Zealand.

While he would not say if the rating could drop, it could be "marginally affected."

"I would suspect when you examine the world and where we are — our inflation relatively to other countries — that we might be reviewed by some or one of the agencies as being marginally not as attractive as we were."

Earlier this year, Wall Street agency Moody's Investors' Services gave New Zealand a new AA3 classification, but denied it was a downgrading.

The economy had been geared up in the last few months, Mr Lange said.

But, for instance, the level of retail activity which had preceded the introduction of the goods and services tax in October could not be sustained.

There would now be a "slight falling of activity."

Mr Lange also said nearly every "albatross" from the Think Big projects was now coming home to roost. The country could not enjoy sustained growth while paying for past splurges.

"All I am saying to people is that we have been through a stage of very, very high activity and we're going to come back to some normality." — NZPA.

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CSO: 4200/214

LANGE DENIES CANBERRA PRESSURE TO INCREASE DEFENSE SPENDING

Wellington THE EVENING POST in English 2 Dec 86 p 9

[Text]

Australia is not pushing New Zealand to spend more on defence, Prime Minister David Lange said yesterday.

Mr Lange denied a suggestion that the Australians were seeking higher defence spending because of increased trans-Tasman co-operation following the ANZUS rift with America.

"They couldn't very well, because the relationship of expenditure to GDP [gross domestic product] is pretty well the same in both countries," he said.

Mr Lange made his comments at a press conference, where he also said that there had probably never been a higher degree of co-operation between Australia and New Zealand.

New Zealand was buying a large number of rifles, and it would be convenient to obtain them in conjunction with Australia, he said.

Also yesterday, the Prime Minister acknowledged there might be "some slippage" in the timing of the defence review, but said this was because of the amount of work being done on it. — NZPA

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CSO: 4200/214

OPPOSITION LEADER WARNS OF ECONOMIC SETBACK

Wellington THE EVENING POST in English 2 Dec 86 pp 1, 3

[Text] The real message to take from yesterday's Prime Ministerial warning about the state of the economy was that the Government's recovery strategy is not getting results, Opposition Leader Jim Bolger said today.

Instead, as Australian Finance Minister Paul Keating had recently said about that country, the Government here was admitting that New Zealand was heading for banana republic status.

At a post-Cabinet press conference yesterday, Prime Minister David Lange moved to prepare the country for a series of setbacks to the Government's economic performance and forecast a fall in economic activity (see P2).

Mr Bolger said Mr Lange was admitting that the theory of economic recovery was not producing the results.

The gloss of high-flowing sharemarket speculation had hidden the harsh reality of an economy which was contracting, Mr Bolger said. More importantly, the Government strategy had seen the destruction of its traditional productive base, the agricultural and manufacturing export sector.

Referring to the recent employment package, Mr Bolger said that to suggest a solution could be found by transferring unemployed from the countryside to cities was a Third World approach; it was treating New Zealand as having a rural poor and trying to make them the urban rich.

Meanwhile, the Government today gave another foretaste of bad economic news to come, with a statement from Finance Minister Roger Douglas anticipating revised overseas debt figures.

He said he understood the Statistics Department would shortly be publishing revised figures for the current account deficit for the period between June 1983 and March this year.

He said this was necessary because it had been discovered that the previous Government arranged for special exemptions for the major projects so that interest payments could be made direct from overseas accounts rather than through New Zealand foreign exchange dealers.

As a result, these interest payments were not included in the balance of payments figures.

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CSO: 4200/214

NO PENALTY SEEN IN LOWERED CREDIT RATING

Wellington THE EVENING POST in English 3 Dec 86 p 1

[Article by Tony Garnier]

[Text] New Zealand's ability to borrow on international markets is not expected to change as a result of the lowered credit rating announced by the New York based Standard and Poor's Corporation last night.

The New Zealand Government's rating for long-term foreign obligations was dropped to AA from AA-plus. Australia's rating has been lowered to AA-plus from AAA.

A spokesman for Standard and Poor said New Zealand's downgrading could mean having to pay higher interest rates on future loans, but he wouldn't anticipate the rating change to affect New Zealand's ability to borrow.

The change reflected the country's rising external debt burden, but New Zealand had been a popular borrower in New York and this was not expected to change, said William J Chambers, an assistant vice-president in the corporation's international ratings department.

Mr Chambers said that in fact when doing its assessment, Standard and Poor had been "very impressed" by the policy direction the Government was pursuing.

He said that over the medium-to-long term (three to five years) the steps taken would result in good progress for New Zealand. The main variable in exactly how long the gains would take to show through depended on movements in international commodity prices.

Mr Chambers said the Standard and Poor rating was used by clients to assess creditworthiness of poten-

tial clients, and some United States financial institutions were required to follow the ratings.

A number of other OECD countries, along with major institutions such as banks and oil companies, have a similar rating to New Zealand. They included New York's City Bank, one of the largest in the world.

Finance Minister Roger Douglas said today the AA-rating was equivalent to AA2 on the Moody scale, so it was higher than the rating record accorded to New Zealand by that agency.

Mr Douglas said the revision reflected factors which had been well known to the market for some time, notably the large increase in the country's overseas debt burden since Standard and Poor reduced New Zealand's rating from AAA to AA-plus in 1983.

AA represented a very high rating and the assessment that New Zealand had a strong capability to repay interest and principal.

Explaining its reasons for the change, which follow an earlier reclassification on New Zealand to AA3 by Moody's, the other main New York rating organisation, Standard and Poor said the adjustment reflected continual external imbalances and a rising external debt burden which had diminished the level of protection afforded debt holders.

● Former Prime Minister Sir Robert Muldoon said the downgrading represented an assessment of the Labour Government's economic management. All the events since the last assessment had occurred in the time of the present administration, he said.

● The Democrats leader and Pakuranga MP Neil Morrison said the Government was turning New Zealand into a nation of "mendicants" and it had got to be stopped.

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CSO: 4200/214

BUSINESS LEADER PRAISES CER

Wellington THE EVENING POST in English 3 Dec 86 p 22

[Article by Jamie Gray]

[Text] High praise was heaped on the politicians who negotiated the CER agreement in the chairman's address to Goodman Fielder shareholders in Sydney last Friday.

Mr Pat Goodman said that through CER the politicians had reduced the "fortress mentality" that once existed on both sides of the Tasman.

Goodman Fielder is the result of a merger between Goodman Group in New Zealand with Fielder Gillespie Davis and Allied Mills in Australia, which became effective in May.

Mr Goodman said he and the executives would soon become engaged in discussion with the various regulatory authorities to advance plans for the proposed merger with Wattie Industries Ltd.

"Some years ago I would have viewed such meetings with trepidation, simply because there was a fortress mentality existing in both countries," Mr Goodman said.

Each country looked after its own and each was suspicious of the other.

He also thanked present politicians from both sides of the Tasman who had created an environment for business people to work in.

More co-operation was still needed between industry authorities and private enterprises, but the signs were encouraging, he said.

"Although there are still regulatory restraints that need attention, the creation of Goodman Fielder is evidence that attitudes and rules have changed and I have every confidence that those who have the responsibility to evaluate the (Wattie) merger will see that it is a logical consequence of deregulation and a move which is in all of our interests."

Mr Goodman said the creation of Goodman Fielder was just a further stage of the evolution of the Australasian food industry.

Had the merger not gone ahead, the three firms would not have had difficulty in continuing individually.

"However, if we are honest, we would admit that it would have jeopardised our leadership situations.

"Over the next decade we would have found it increasingly difficult on a manufacturing base alone to attract and reward equity investors to the extent possible by some of the other merging public companies."

Mr Goodman said that, as a company, Goodman Fielder must increasingly regard the two countries as one.

"There are some things Australia can produce better and more economically than can New Zealand, but the reverse is also the case."

He said the day was not far away when all the products sold throughout Australia for one segment of the group's business may be made in a factory somewhere in New Zealand.

Such a decision should be based simply on economic grounds and efficiency of production.

Inevitably this would involve some closures and relocation of production units.

"But such moves are happening constantly in other industries throughout Australia and New Zealand."

The same trends were evident in most other Western countries but the difference was that the decisions would not be made on an individual country basis.

By 1989 there will be no barriers to Australian food coming into New Zealand.

It was against this background that Goodman Fielder, with the agreement of

Wattie, had decided to continue the reconstruction process by merging the two companies. This was a further logical step following the Goodman, Fielder Gillespie Davis and Allied Mills merger, Mr Goodman said.

- Goodman Fielder Ltd is trading ahead of budget and the outlook for the remaining nine months of the financial year is promising, the managing director of the group, Mr Duncan McDonald, said in Sydney.

Addressing shareholders, he said that although the retail trading climate was difficult, the company was benefiting from low prices for most of its major raw materials. — NZPA

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CSO: 4200/214

EDITORIAL WARNS AGAINST NATIONAL PARTY TAX PLAN

Wellington THE EVENING POST in English 3 Dec 86 p 4

[Editorial: "Beware claims of simplicity"]

[Text] VOTERS NEED TO beware of the claimed advantage of simplicity for National's alternative to Labour's goods and services tax.

As well, there is the suspicion that National is determined to do away with gst, regardless of any advantages that form of tax has, simply because it is a creation of a Labour Government.

National's proposed expenditure tax or "extax" is billed as simple in contrast to gst being complex. Whatever form it takes, taxation is unpopular. Dress a proposed tax system with the virtues of simplicity and the need for fewer government servants to police it and a wide audience may find it more acceptable. Examination of extax shows the results will not be quite as simple as National claims.

Extax will not apply to some goods and services, such as basic foods, doctors' fees, local body rates and approved charities or non-profit organisations. That should appeal to popular prejudice about being taxed on such things.

However, exemptions of that magnitude must reduce the amount of revenue extax can gather in comparison with the revenue from the universal gst.

National will have to recover that revenue shortfall somehow. Will generosity shown by extax exemptions win popular appeal at election time but later have to be paid for by higher rates of personal income tax?

Gst or whatever indirect tax might replace it must be considered in tandem with the biggest reduction in personal income tax rates most of us have enjoyed in decades. The reductions could not be afforded without the revenue earning ability

of gst. Even now some people doubt that 10 percent gst will raise sufficient revenue.

As soon as politicians talk about exemptions from a tax, problems of definition immediately arise, along with pressure to increase the list of exemptions. Where does the list of basic foods end? Is rice to be included? Frozen vegetables? If bread is to be exempt from extax will sandwiches, toast and toasted sandwiches be exempt too?

When it is thought appropriate to exclude doctors' fees why is it not also appropriate to exempt fees charged by specialists, physiotherapists, dentists and non-traditional forms of diagnosis and treatment?

Evasion is seen as a problem for a retail sales tax like extax when the rate is 7 percent or higher. Sweden is among countries which have switched from a retail sales tax to a value added kind of tax solely because of the evasion problems.

Purchases made for business will not have to pay extax but that is going to present difficulties in determining whether a purchase is strictly for business purposes or personal use. There will be some classes of people able to exploit that situation, when they now find it much more difficult to escape paying gst.

When Labour was bundled out of office in 1975 much of the new Government's efforts were initially spent in repealing or modifying initiatives taken by the previous Government. Are we to see a repeat of that equivalent of an exorcising of evil spirits sold to the electorate in an overly simplistic sales package with the costs to be met later?

EDITORIAL LAUDS PHILIPPINE CABINET RESHUFFLE

Wellington THE EVENING POST in English 2 Dec 86 p 4

[Editorial: "Skirmish won; war continues"]

[Text] **STRONG ACTION TAKEN** by President Corazon Aquino of the Philippines appears to have dramatically changed her fortunes for the better.

At this stage the improvement may be more apparent than real. Problems and enemies still abound. Every victory Mrs Aquino gained by her bold actions last week invites questions about its permanence.

The rebellious Minister of Defence, Mr Juan Ponce Enrile, has been sacked but may not choose to recede into obscurity.

The threat of an imminent coup has lessened, but for how long? Pro Marcos forces are numerous. Some of them still command important positions and resources.

Military and paramilitary officers have their own political ambitions and ideals. They distrust the Left and hate the communists. There are constant allegations of military and particularly paramilitary involvement in the brutal abduction and slaying of leaders of the Left.

Mrs Aquino's threat to unleash the military against the communist guerrillas unless her negotiators secured a ceasefire by the end of November brought the desired results. But Government peace negotiations with the communists and any eventual sharing of Government power with them would be anathema to the military.

The communists are likely to use the ceasefire and any protracted peace negotiations to regroup and better organise their guerrilla campaign should the peace talks fail to win them any political advantage.

As much as the military may be eager to resume their open fighting

against the guerrillas there is no guarantee that they will win. Can the army that had not beaten the communists in 17 years of campaigning be so improved since the February revolution?

In those last days of Marcos when the communists were seen to be growing in strength, the armed forces, with few exceptions, were criticised as poorly trained, poorly equipped, and poorly disciplined. A dramatic improvement since then is unlikely.

The Chief of Staff of the New Philippines Armed Forces, General Fidel Ramos, has declared his commitment to constitutional authority. He has also countered a number of coup plots but the same man asked Mrs Aquino to rid her Cabinet of incompetent Ministers.

Mrs Aquino has secured the resignation of all of her Ministers. Must she now replace some Minister of the Left with Ministers of the Right in order to please the military? The Left may not quietly accept Mrs Aquino's new Ministers just because she believes they will be competent. Instead they may be seen as squeezing the Left from positions of power.

Wholesale poverty, inequalities in wealth, rampant crime and corruption are there today as they were when Marcos was enriching himself. The treasury is depleted and that drastically limits what can be done.

Mrs Aquino deservedly scored a political victory by her recent action. She has to score many more victories in the political, social and economic spheres. Mrs Aquino will have to be tough and lucky to survive, let alone win.

THAILAND

OPINION MAKERS CRITICIZE CHAWALIT FOR RED-BAITING

Buriram, Other MP's Comment

Bangkok MATICHON in Thai 31 Oct 86 pp 1, 2

[Unattributed report: "MP's Criticize Big Chiu for Raising the Communist Specter"]

[Text] On 30 October, Mr Karun Sai-ngam, a Democrat MP from Buriram Province who once fought alongside the Communist Party of Thailand [CPT], said that the recent statement issued by military officers was meant to revive the communist specter in Thailand. He said that whenever the communist specter is raised, there is always something behind this. Actually, the CPT is finished and is no longer capable of playing a role in society. Making such a statement is tantamount to causing splits among people in society instead of building unity in order to use that unity to build the country.

"Money is always the issue every time the communist specter is revived. In particular, the more they want to increase the secret budget, the greater the communist threat is said to be. Instead of using the national budget to develop the country, huge sums are diverted to the secret fund," said Mr Karun.

Mr Karun also said that it was inevitable that CPT defectors would run for election as MPs and members of the provincial councils. This is because tens of thousands of people joined the CPT in 1973 and 1976. These people are fighters. They are politicians who love justice. Now that they have left the jungle, people can't expect them to sit by quietly when the country is experiencing problems. They have to play a role in developing the country. Without these people, there would be no Order 66/23.

The reporter asked whether he was disappointed with the RTA CINC. Mr Karun said that he is not disappointed in the RTA CINC or anyone else. The only thing is that these people view things differently, which is normal. However, such talk has created divisions and suspicion within the country. Comparing the country to a family, if the people in the family are suspicious of each other, in the end the family will split apart.

Gen Han Linanon, the minister of agriculture and cooperatives, the former 4th Army Region commander, who achieved much success in applying Order 66/23 in the south, and the man who formulated the Tai Rom Yen policy, said that democracy is growing stronger and stronger in the country. Order 66/23 has welcomed those who fled into the jungle like fellow countrymen. They have the same political rights and freedoms as everyone else. The fact that these people are waging a political struggle is in accord with Order 66/23. Thus, there is no reason for people to be suspicious of each other. They are no longer waging an armed struggle. Once the country has become fully democratic, these political disputes will end.

"I am still waging a struggle for democracy. Because today, we still don't have full democracy," said Gen Han. He added that waging a peaceful struggle openly is better than carrying on clandestine activities. As for the view that this statement was made in the hope of obtaining funds for the military, the Subcommittee To Consider the Budget Act fulfilled its duty in allocating budget funds.

Mr Chatturon Khotsi, a Democrat MP from Chumphon Province, said that it is clear that steps were taken to pave the way for this statement. This is harmful to parliament, whose members were elected by the people. Besides this, because these statements were made at a time when the budget motion was being amended, it is worth considering what their real objective was.

Mr Chatturon said that making such statements is contrary to the claim made by these people, who have said that they want to preserve democracy. He admitted that it is necessary to have a military. But it must serve as the tool of the government. It should adhere to the policies of the government, part of which is composed of elected MPs, so that things are done in accord with the democratic system. The military thinks that it has a monopoly on patriotism and acts as if it owns the country.

"Today, everyone knows that the CPT is in disarray and that this is no longer a major issue. But now these statements have created divisions again," said Mr Chatturon. He added that this is not good for democracy. People who had been forced to flee into the jungle left the jungle because the policy gave them a chance to wage a political struggle again.

"Can those who issued these statements deny that they were involved in this?" said Mr Chatturon. He said that he is an elected MP. He received many votes but spent very little money during the campaign. Many of those who left the jungle were elected by a wide margin. He and the others have done things in accord with the democratic system. Do those who have made these statements respect the people, who elected him? And which of these people has won the trust of the people?

Mr Chatturon said that at a time when all factions have to build unity, in raising this subject again, did these people consider whether this might be bad for the country? Today, there are many people who are unusually wealthy. They have homes worth more than 10 million baht. Surely they can't buy such houses on their monthly salaries.

"How much are these people worth? Where did they get their money? Does their money come from the taxes squeezed from the people? Were these people involved in the various things that have occurred, such as the log issue?" said Mr Chatturon. He added that actually, that is no longer a problem. It depends on what is said. As for the heroin seized during a kathin tour, who was responsible? Even though they can't be prosecuted, it is difficult to deny the truth.

Mr Chatturon said that looking deeply into things, it can be seen that the divisions within the political parties have been caused by people who have acted like "Brahmans." Their meddling has weakened the political parties. The purpose has been to provide outsiders with a chance to become prime minister. People are already being groomed for the position of prime minister after Gen Prem Tinsulanon leaves office.

"Is this right? If this is democracy, it is democracy in a bonsai flowerpot that needs water and food to survive but that can never grow. Everything is stipulated. Some people have had great faith in their cleverness. But once they have gained power, their methods have changed. If it can be proven that the political parties have been infiltrated by the communists and if any laws have been broken, they can be arrested," said Mr Chatturon. He added that the MPs who once lived in the jungle have probably discussed matters together. This includes others besides the MPs in the Democrat Party. As for what will happen, that is another matter.

Mr Khaisaeng Suksai, a Democrat Party MP from Nakhon Phanom Province, said that he is surprised that such statements were made. He read the news while in the hospital, where he was being treated for a heart condition. But he is almost completely well now. He said that he is surprised because during the past period, the military seemed to have gained a better understanding of the democratic system of administration with the king at the head. Everyone has acted in accord with Order 66/23, which calls for having politics lead the military in order to have all factions join hands in developing the country.

Mr Khaisaeng said that the statement by the RTA CINC will provide those still in the jungle with an opportunity to mobilize those who were thinking about surrendering. They can tell them that they should not surrender to officials because Order 66/23 cannot protect them. Those who are thinking about surrendering will now hesitate.

"With all due respect and with good intentions, I want to warn the RTA CINC and other senior military officers that in the present period, the best thing is to discuss matters in parliament. There is nothing to be gained from being suspicious of each other," said Mr Khaisaeng.

Mr Khaisaeng said that there is absolutely no way for the communist party to recover in 1987. But to wipe out the communists completely, there must be jobs for everyone, the economy must be good, the farmers must be able to get a good price for their rice, and government officials must not oppress the people. If they could have recovered, they would have done so a long time ago. Today, the army has a very good image.

"I am ready to resign my position as an MP immediately if the military thinks that that would solve the country's problems. But I don't think that my resigning would help much. There are poor people throughout the country. Ever since Gen Chawalit was appointed to his present position, the people have had greater hope that the country will develop and that the military will stop being so suspicious and stop maligning people as it did during previous dictatorial administrations," said Mr Khaisaeng.

Mr Ophat Rongngoen, a Democrat Party MP from Phatthalung Province, said that from what he has observed, state officials have done things that have caused the people to hate the government. They have been negligent. Thus, he would like to ask officials to work with the people more closely.

Gen Prachuap Suntharangkun, the minister of interior, said that this was just a 6-month evaluation by the Communist Activities Suppression Command. This was just a summary of the situation. The Ministry of Interior will not become careless. As for the statements that some MPs and members of provincial councils are involved, he said that he doesn't know whether the MPs or members of the provincial councils will be affected.

Police Lt Chaowarin Latthasaksiri, a Thai Nation Party MP from Ratburi Province, said that he and 10 other MPs went and listened to that statement. He said that they were all dismayed by the statement. He wants to hold a debate to express his views. But that will probably not be possible, because those in charge will not give him an opportunity. This is like cramming ideas down people. MPs can't accept this. This statement has affected the nation's security. In particular, people won't dare invest here. If possible, this should stop immediately. It poses a danger to the democratic system.

Chumphon MP on CPT Future, Army Attacks

Bangkok NAM THANG in Thai 10-16 Nov 86 pp 27, 28

[Interview with Chaturon Khotsi, a Democrat Party MP; date and place not specified]

[Text] Several days ago, the army issued a statement summarizing the results of its anti-communist operations. This statement has generated much criticism. Mr Chaturon Khotsi, a Democrat Party MP from Chumphon Province and a communist defector, talked about this with NAM THANG.

[Question] How do you feel about the army's statement that the CPT will launch an armed struggle again?

[Answer] Actually, the CPT has no chance of recovering. It has collapsed on all fronts. It has collapsed as a party and as the leader of the united front. Thus, the statement that a front is active again cannot be true. Because if the party and its military forces have collapsed, why would the front carry on activities? That would be useless. It would achieve nothing.

[Question] The army said that the communists would take up arms again. How likely is that?

[Answer] I would like to refer to statements made by the 4th Army Region commander in an interview concerning the communists. What he said was very different from the statement issued by the army. I believe what the regional commander said, because he is the one who is directly responsible for the area. He has more information on what is happening and has a better grasp of the situation.

[Question] Have you analyzed the matter?

[Answer] I don't know why these statements were made at a time when the budget is under discussion. It seems as if they intended to spread rumors in order to cause splits among people in the country. They apparently wanted to generate suspicion at a time when our country needs solidarity.

[Question] What about those who left the jungle to carry on activities in the cities?

[Answer] Actually, we should ask why students and other people who love justice had to flee into the jungle in 1986. Were things so wonderful there? They had to flee because their lives were in danger. They had to find a way to save themselves. They had to find a place where they could be safe, even if that meant fleeing into the jungle. I would like to ask, at that time, who stirred up that trouble? Who destroyed democracy?

[Question] How did you feel when the government granted amnesty?

[Answer] We had to thank the government for giving us a chance to return to the cities. We have waged a struggle for justice in society.

[Question] What about the view that you left the jungle only to infiltrate the political parties as MPs and members of provincial councils?

[Answer] There is nothing strange about carrying on political activities. The constitution requires those who play politics to be a member of a political party. We ran for election and won. Thus, we have the approval of the people. We are struggling for justice on behalf of the people. We are sincere about wanting to serve society. We did not become MPs in order to serve as a front for the CPT as the army has stated.

[Question] Will the CPT recover?

[Answer] I don't think that it can. Because at present, the CPT is in great disarray. The party, the leadership center, and the front have all collapsed. There is no chance of it recovering. And today, no one sides with the CPT. I don't know what the army's intentions were in making such statements.

If people have done something wrong, I don't see any problem. If officials have clear evidence that someone has done something wrong, they can arrest them. There is no need to frighten people. That time is past.

[Question] The military radio has countered by saying that some military officers inherited their wealth.

[Answer] If that is true, it shows that previous administrations were wrong. They seized the assets of Field Marshal Sarit and Field Marshal Thanom. Those people claimed that they had inherited their wealth, too. Actually, everyone knows what the truth is. There are many military officers who are now under investigation by the Office of the Commission to Counter Corruption. Why hasn't anything been said? Retired officers have huge houses and several cars. There is no way that they could have purchased such things on their salaries alone.

[Question] How do you feel about the military making such statements?

[Answer] I think that people should carry out their duties. They should not meddle in the affairs of others. The military is one institution. There are many other institutions. In the legislative field, MPs are ready to fulfill their duty of making laws and supervising the administration. They are the representatives of the people. Things will be fine if others don't interfere.

I am perfectly willing to salute the good soldiers. But there are a few who are trying to control the army. As a result, the image of the army as a whole has suffered. In my view, a few soldiers have tried to pull the army to their side and use the army as a tool.

[Question] In your view, what are the important problems that require immediate attention?

[Answer] I think that we must all work together to solve the economic problems as quickly as possible. Thailand is an agricultural country. The farmers do not earn a good income. It's difficult to find foreign markets. These things will cause other problems. To solve these problems, all groups must join together. That includes the government, the military, and other institutions. We must all work together to solve the problems.

We should stop spreading rumors about war. There is no war. It will be difficult to revive the communist ghost, because it is already dead.

Publisher Faults Chawalit's Analysis

Bangkok LAK THAI in Thai 13 Nov 86 p 58

[Speak Thai column by Rattana Yawapraphat: "Communists in the Report by the RTA CINC"]

[Text] In his capacity as the director of communist suppression activities, Gen Chawalit Yongchaiyut submitted an evaluation of the struggle to defeat the communists to Gen Prem Tinsulanon, the prime minister, at a meeting held at the National Security Command auditorium on 29 October. That report has created great turmoil in Thai political circles. It has sparked the greatest uproar since the formation of the Prem 5 government. Certain sections of the

report state that some political parties are part of the communist front. And what is ever more important, the report stated that the communist party, which has been dormant for several years, is ready to take the offensive again and is waiting for orders from the leadership organization to launch an armed struggle.

Even though this report by Gen Chawalit Yongchaiyut contained very interesting and very alarming statements, several politicians who once fought alongside the CPT in the jungle, including front politicians, have countered using very strong language. In particular, they have charged that the army is again reviving the communist specter in an effort to restore dictatorship. They have also charged that the army wants to increase its budget, particularly its secret budget.

Actually, such reaction is quite normal. We have heard such things before. Such things were common during the period 14 October 1973 to 6 October 1976, when the CPT had the military on the defensive. It reached the point where many soldiers refused to put on their uniforms, because they were threatened and jeered by the students, who were part of the leftist front. But that was a long time ago. To young adults today, it might seem strange to hear such harsh responses. But at that time, such comments were quite common.

The CPT has been dormant for a long time now, and many CPT members have surrendered to government officials. They are now called "participants in the development of Thailand" [PDT]. Is it possible for the party to have recovered so quickly that it is now the country's "No 1 enemy" again as Gen Chawalit claims? If that is true, what have the government and military been doing? Why have they allowed the CPT to grow so quickly to the point where the RTA CINC must mobilize the people of the country to join forces in the struggle against the CPT?

A statement by Gen Chawalit which seems to answer these questions can be found at the end of his report. He stated:

"That is a summary of the situation. This requires that the government units concerned give attention to this and learn the facts. A way must be found to solve the problems mentioned above. I have said several times that in the struggle to defeat the communists, the government political parties will have to wage a struggle against the CPT, the Thai military will have to fight the Thai People's Liberation Army, and the state apparatus will have to wage an effective struggle against the apparatus of the communist party at the local level. For this reason, we feel that the political parties and the political security of the government are of great importance in the struggle to defeat the communists."

Gen Chawalit explained that the way to defeat the communists is to develop the country and have real freedom and a perfect democracy. He said that the way is to:

- "1. Develop democracy with the king at the head as quickly as possible in accord with the writings of the king. Power was given to the Thai people 53 years ago.
2. Stress building sovereign power that belongs to the people, that

is, pure power that is free from the influence of hidden powers. 3. Perfect the freedoms of the people, particularly political freedom. 4. Teach people at all levels, stressing that sovereign power belongs to the people and that individuals enjoy full freedom."

Actually, these important principles of democracy referred to by Gen Chawalit are the first principles of democracy. But in actual practice, those who carried out the revolution in 1932 failed to implement these principles. After the dictatorial civilian administration of Mr Thanin was overthrown, the ship of state was pointed in the right direction again. But things have proceeded too slowly. As a result, dictatorial groups have begun playing a greater role and gained greater power on the political and economic fronts.

In my view, struggle is a part of our daily lives as human beings. Actually, communism is an administrative system in use in many countries. And just like democracy, it has had both successes and failures. Waging a struggle against communism means that we must first be a democracy. If we are not a democracy or have only an imperfect democracy, we won't be able to wage a struggle against communism. Small European countries have cleverly decided to allow the communists to form political parties within the democratic system in order to wage a political struggle in parliament.

No country has ever succeeded in keeping the communists underground. Democratic governments and communist governments continue to deal with each other on the economic, financial, tourist, and cultural fronts. Thus, the RTA CINC should issue a new report to improve relations with the communists at the lower level instead of having relations just at higher levels. We wouldn't have to waste so much money and effort on a never-ending ideological struggle.

Fears Noted in Army Attacks

Bangkok DAILY NEWS in Thai 4 Nov 86 p 5

[Finger Tip column by Mr Kamthon: "Is It Goodbye 66/23?"]

[Excerpt] Recently, Gen Chawalit Yongchaiyut, the RTA CINC, who has been given the nickname the "Clever Strategist of the army," stated that caution must be exercised to prevent government officials from doing anything that might allow the CPT to grow strong again. Because it would then be very difficult to suppress the communists.

People know that the RTA CINC was warning people not to become complacent, which could give the CPT a chance to recover. No one thought that he was trying to "revive the communist specter," because everyone knows that he played a part in implementing Order 66/23. But after the meeting to evaluate the results in the struggle to defeat the communists during 1986, Gen Wanchai Ruangtrakun, the army secretary, issued a statement to the mass media that has generated suspicion among people who were beginning to understand each other.

In his statement, he said that the CPT has expanded its front and infiltrated various political parties. He said that some members ran for election and won seats in parliament and in provincial councils, where they will work to promote their ideals.

After the army issued this statement, several MPs who had once fled into the jungle to escape the power of the dictators came forward to counter the charges made by the army. Among these were Mr Khaisaeng Suksai, Mr Karun Sai-ngam, Mr Ophat Rongngoen, and Mr Chatturon Khotsi. And in countering these charges, it was only natural that they tried to hit the other faction in a weak spot. For example, they asked why this matter had been raised at a time when the budget is under consideration. They also mentioned the fact that several retired military officers are unusually wealthy.

Now that this issue has arisen, the army should try to explain the reasons for the misunderstanding rather than use the tools of the bureaucracy to argue with others. I implore you, do not let this single drop of honey destroy the atmosphere in the country. Do not let such good policies as policies 66/23 and 65/25 be a thing of the past.

Further on Buriram MP Comments

Bangkok LAENG KHAO in Thai 12-18 Nov 86 p 14

[Text] Karun Sai-ngam, an MP from Buriram Province and a CPT Defector

First of all, I am sure that there was something behind those statements. I am sure that those who made these statements were not making idle chitchat. I don't know what was behind this. But in the past, every time that people have raised the communist specter, this has involved huge sums of money, particularly the secret fund. That is, they have sought money for this, with certain people benefiting.

This attempt to revive the communist specter has been made in a systematic manner. A good plan has been formulated. There is no way that the CPT can recover. There is no chance of it again playing a political role as it did in the past. Regardless of who raised this matter at this time, I am sure that they are trying to cause splits among the Thai people. The situation today is quite good. Let's look at things. People from different groups and of different persuasions are working together to build up the nation and build a strong democracy. But some people are trying to destroy this unity.

Some people feel that those who once worked with the communist party but who are now working in political circles at various levels are doing this in order to benefit the CPT politically. Looking at things this way is a serious mistake. Why do I say this? Because in 1973 and 1976, the intellectuals and people who fled into the jungle were all patriots who loved their country, their fellow countrymen, and democracy. But things were distorted, and they were not treated fairly. As a result, they had to seek shelter temporarily.

A very important point is that these people are politicians and fighters for the people. Now that they have returned from the jungle, you can't expect them

to sit by idly, forget about the evil in society, and ignore the mistakes made by the government. I don't think that these people can do this. These people are fighters. They have to do something. And the things that they have done have been done within the framework of the law.

These people returned because of Order 66/23, which is a very good policy of the government. This policy was implemented by the government. It was not implemented by some other administration. The fact is, it was people in the present administration who implemented this policy. The government's present policy is a good one and has helped build national solidarity. And so why are people now trying to destroy this policy? I really don't understand this.

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CSO: 4207/74

THAILAND

COMMENTARY SEES NO IMPROVEMENT IN FARM ECONOMY

Bangkok SU ANAKHOT in Thai 12-18 Nov 86 p 21

[This Is Thailand column: "A Very Patient Group"]

[Text] Thailand is like this. The bulk of the people in the country are farmers. Thus, every year there are farm problems that the government must deal with. The farmers can be said to be the backbone of the country. This is because without the farmers, the country could not survive. Sometimes it is said that the suffering of the farmers is the suffering of the nation. Because the suffering of the farmers never ceases. If this suffering can be brought to an end, the nation will be free of suffering. Saying that the suffering of the farmers is the suffering of the nation indicates the depth of this suffering and the importance of the farmers.

For these reasons, those who administer the country, regardless of whether they are soldiers, dictators, merchants, or lords, must all say that they are concerned about the farmers and that they want to help improve the lives of the farmers. Every administration says this.

Some administrations have conducted surveys to find out how much the farmers owe. People thought that after the government obtained data, it would do something to provide help. But all it said was "we just wanted to obtain data to see how large the debt was." Some administrations have issued measures to provide help, such as making loans available through the Bank for Agriculture and Cooperatives and lending fertilizer through the Marketing Organization for Farmers. The result of this has been that instead of being in debt just to rich Chinese in the cities, the farmers have also found themselves owing money to the banks. As for the fertilizer, in some cases the farmers have been given bogus fertilizer. And so things have just gotten worse for them. Actually, this is all common knowledge. But farmers are farmers. That is, they can't say anything. Regardless of what happens, they have to be patient and accept it.

There are several units that are supposed to look after the farmers. The Ministry of Commerce is supposed to monitor prices, trade, and exports. The Ministry of Agriculture and Cooperatives has instructed the Department of Agricultural Extension, the Marketing Organization for Farmers, and other units to help the farmers. The Ministry of Interior must work hard, because the provincial governors must help relieve the suffering of the people. The

Ministry of Education is involved, too. The number of officials who work for the Ministry of Education is very large. If each of them purchases a little extra rice, the farmers will be able to sell more rice. (But if they can't use all the rice, why would they buy it?)

Looking at all the units that have been established to provide help or that have provided help already, it seems that farming is a wonderful occupation and that the farmers are to be envied because everyone is so concerned about them. But actually, there is no reason to envy the farmers. Even the farmers want to escape such a marginal existence.

The farmers say that they need to sell their rice for 3,000 baht per kwian [1 kwian equals 2,000 liters] in order to survive. But today, the farmers can get only 1,800 baht per kwian, or 2,200 baht for the highest grade of rice. Normally, if merchants can't make a profit on some item, they don't sell it. But the farmers aren't merchants. They have to sell their rice to the merchants. They can't exist on rice alone. They have to have clothing and medicine. They have to live in society and make merit (so that they won't be reborn as Thai farmers in the next life). The farmers pay for these things in advance. And this does not include their other expenses, such as fertilizer and rent. Why are they so patient? Why?

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CSO: 4207/70

THAILAND

RICE EXPERT DR AMMAN SIAMWALLA VIEWS PRICING POLICY

Bangkok LAENG KHAO in Thai 5-11 Nov 86 pp 34-37

[Interview with Dr Amman Siamwalla, the director of the Agriculture and Rural Development Section, Research Institute for the Development of Thailand; date and place not specified]

[Text] [Question] Would you give us your views on the rice price problem? Every year, the farmers complain that rice prices don't cover production expenses.

[Answer] In my view, people whose incomes have been affected should complain. But as for what I would do if I were in the government and what I think should be done, the first thing that I would like people to understand is that the people and the mass media should express their views clearly. If the government promises that it will set a certain price, it must find a way to ensure that every farmer is paid that price. If the government cannot do that, it should not promise anything. That is, it should not stipulate a guaranteed price or a support price. That is the first principle that I would like everyone to understand. I would like everyone to work for this.

If the government says that it can't do something, that's fine. If it can't, it can't. At least the government is being honest. If it can't do something, it should say so. But if it says that it will set a guaranteed price at 2,500 or 3,000 baht or that it has enough money to set a price of 2,600 or 2,700 baht, everyone will know what the government's target is. And after that, there can't be any excuses.

But today, they say 3,000 baht but then purchase only a little here and there. They aren't interested in whether the other 99.9 percent of the farmers can sell at that price. I think that this is an important point. All of us who are not in the government, including the mass media, should watch to see what promises the government makes. In my view, it's better for a government not to promise anything than to make promises that it can't keep. At least it isn't lying. If it tells me that it can't promise anything because it doesn't have the money, the ability, or the tools, I think that we will understand just why the government can't do anything. If there is time or if there is some problem that the government can solve, we can find a way to help and find out what needs to be corrected. You can't talk big and then do nothing.

[Question] Why can't the farmers get a good price for their rice?

[Answer] Because the world market is not good. If you want domestic prices to be better than world market prices, you can do it. It's not impossible. But the government will have to open up its purse. It can't be done unless the government spends some money. In the past, the government put pressure on domestic prices to keep them below world market prices. The government can do that. The government made money from that by collecting taxes. It collected money here and there. It was easy to engage in corruption. It was easy to keep our prices below world market prices. But to push our prices above world market prices takes money.

In principle, I think that this can be done easily. I know how this can be done. That is, we can support exports. But the government must be prepared to spend money. How prepared the government is is debatable.

[Question] What should the government do to solve this problem?

[Answer] If the government feels that this is a problem, it should find money to support exports.

[Question] Is this the main thing?

[Answer] Yes. And these export supports must be given to everyone. This can't be done on a selective basis. This means that all exporters have the right to obtain export support funds. All have the right to obtain 100, 200, or 500 baht per ton or whatever amount set by the government.

[Question] There are figures showing that if exports are supported by compensating exporters for their losses, to raise prices by 100 baht per kwian, the government would have to spend up to 900 million baht.

[Answer] That's correct. I don't dispute that.

[Question] How likely is it that that much money will be spent?

[answer] How could I know? I know about rice. I can tell you how much the government should spend if it wants to do that. If the government comes and tells me that it has considered the 900 million baht or if it wants to double the amount to 200 baht, which means that it will need 1.8 billion baht.... I don't have time to sit and argue with the government about whether it should or should not do this.

[Question] People have been talking about solving the price problem for a long time. This is discussed every year. For example, there is talk about growing other crops.

[Answer] I think that there should be a long-term agreement. We need to know what the government will do and what the government's targets are concerning rice prices. We need to know these things. There will be arguments. But the government must be prepared. It can't just sit about discussing the matter and then do nothing. The problem will never be solved.

As for what long-term measures should be implemented, I don't think that the farmers should be forbidden from growing rice. I don't think that that would help. You will have to tell them what to grow and you will have to have the money to enable them to grow the other crops. Actually, you can't forbid farmers from growing certain crops. Only a stupid person would come up with an idea like that.

[Question] To date, the long-term plans have failed to solve the problems.

[Answer] I have never heard anyone say anything of import. There is just endless talk about this and that. The farmers have their own long-term plan. Some have turned to operating shrimp farms or farming other crops about which they have knowledge. Some are growing marijuana (laughs). I think that the farmers have a better idea than the government of what to do to solve the problem.

We can't persist in thinking that we must always solve all the problems for the farmers. For some reason, urbanites tend to feel that they know what is best for the farmers. I think that in many cases, those who have been in a position to escape have already done so. The problem concerns those who cannot grow other crops, who have to grow rice, and who cannot reduce cultivation, or who have no choice about what to grow because they have no other alternative. How are we going to help these people? But those who have been in a position to escape have already done so. If anyone in Thailand is waiting for the government to help, their future will be very bleak.

[Question] The Policy Committee To Intervene and Maintain Rice Prices held a meeting last week and proposed measures to solve the immediate problems, such as giving incentives to the rice mills and encouraging them to purchase more rice and giving packing and stock credits at a low rate of interest.

[Answer] The policy of having them stock more rice has never been very effective. The rice just revolves around the bowl. The rice is still in the country. It doesn't go anywhere. They can stockpile more rice. But someday they will have to release it. That doesn't help anything. Helping them to stockpile more rice and giving them packing credits is useless.

[Question] Does this also refer to helping the exporters like this?

[Answer] In helping the exporters, you are exerting pressure on them to export rice. That should be done. The government should do its utmost to sell more rice on a government-to-government basis. These are things that should be done. But I don't think that stockpiling rice is of any use. The rice just stays in the country. It doesn't go anywhere. This does not help push up

prices. The only result is that there is more rice in stock. But once the limit is reached, the rice that is released will fetch the same low price as before.

[Question] Some have proposed helping the farmers keep their rice as long as possible so that they will have greater bargaining power when selling their rice.

[Answer] I disagree with that totally. I am opposed to that because in stockpiling rice during the past 10 years or so, there have been very few years in which the mills or the farmers have profited from stockpiling rice. Many people think that rice is cheap at the beginning of the season and more expensive at the end of the season. And so, all that people have to do is hang on to their rice for awhile. But if you look at the actual figures, you will see that prices increase only about 7-8 percent per year, which is not enough to cover costs for those who stockpile their rice.

In the past, most of those who have stockpiled rice have lost money. They have not made a profit. And so why are we proposing that the farmers do something that will just result in their losing money? They are already earning very little. If they are encouraged to stockpile rice, they will end up losing more money.

[Question] The basic problem is that the expenses of the farmers are very high. Production costs are high. And so some say that the price of rice must be around 3,000 baht if the farmers are to survive.

[Answer] The farmers have managed to survive. I don't think that we should pay too much attention to rice production costs. Those are meaningless. Go to Ayuthaya and ask what costs are there. Then go to Udon Thani and Phatthalung and ask what they are in those places. The costs will all be different. You will get rice prices that are not based on the production costs. Thus, production costs are meaningless.

What we are thinking about is that we have not sought fair prices for the farmers. The government should do something to ensure that those rice prices are prices that the world and domestic markets can support over the long term. Remember, over the long term. I think that during the next 1 or 2 years, prices will be lower than those over the long term. And so the government should help prop up prices.

[Question] Does that mean that the government must provide help during the next 1-2 years?

[Answer] Yes, by supporting exports or by trying to push up prices. But the government must decide how much it is prepared to spend.

[Question] How is this different from the government intervening or guaranteeing prices? You talked about free trade and the market mechanism.

[Answer] These are two different things. Free trade is at the export level. That is one thing. Having the government get on a white horse and go purchase

rice is something else. These are separate issues. But occasionally, the government ties these two together. It claims that it has to collect an export tax and charge a rice premium to have money to purchase rice from the farmers. I don't agree with this either. You are taxing them and using the money to buy rice from them. You are using their money to buy rice from them. And during the process, much of this money flows into the hands of the rice mills, merchants, and government officials. Most of the money goes to these people.

I am opposed to intervening by purchasing rice. That is not necessary. If you want to intervene, you should do so at the export point only. Then there won't be any problems. You won't have to use much manpower. And there is less chance of corruption if things are done correctly. That may be one reason why this is not a popular method. There is less chance of corruption.

[Question] It is said that 300 million baht has been spent to support corn but that this has had little effect.

[Answer] They know. They knew even before they started. But they went ahead. This would be understandable if they hadn't known what they were doing. But I think that they knew what they were doing. They knew.

[Question] It is thought that the 1986/1987 yield will be around 19 million tons. Of this, 15 million tons will be consumed domestically and 4 million tons will be exported. Only a small amount will be exported, and yet this will determine prices. Why is this?

[Answer] This is difficult to explain, but I will try. Let's put the country's problems aside. You are from a small village that produces rice for sale. The rice yields of this village exceed demand. It produces 19 kwian [1 kwian equals 2,000 liters]. The people in the village can consume only 13-14 kwian. People in the village buy and sell rice. But stop and think. Will that village be able to sell rice if the price in Bangkok is 3,000 baht per kwian. The villagers consume up to 14 kwian. Thus, if they want to buy and sell rice within the village, what will the price be? They will set the price in accord with the price in Bangkok, right? They can't set it at any other price. Because if they set the price below 3,000 baht, they will be besieged. People will think, hey, why am I selling my rice here. It's better to sell it in Bangkok. If the price is above 3,000 baht, the villagers will realize that they can earn more by selling their rice in the village.

Similarly, if the domestic price of rice is different from the price abroad, problems will arise. Because of this, domestic and foreign prices must be in balance. Foreign markets are much bigger than domestic markets and so they have an effect. It's not that they are bigger but that you must compete with so many markets. The prices abroad are in balance and so those will determine domestic prices.

[Question] Then we have to accept this mechanism.

[Answer] Yes, we do. But that does not mean that we can't intervene. In the past, prices abroad were very high, but domestic prices did not rise accordingly. That was because the government intervened. During the past 2-3

years, prices abroad have declined. The government has reduced its intervention. That is, it has reduced taxes. As a result, during the past several years domestic prices have fallen much less than prices abroad. But now, we have ended our intervention. There is only one way to intervene. Instead of collecting taxes, we must collect a negative tax, that is, provide export supports.

[Question] But that cannot solve all the problems.

[Answer] It will take money to solve the problems. You can't do this without spending money. In the past, if the government wanted to keep prices below prices abroad, not only did the government not have to spend any money, it even made money.

[Question] Preparations are being made to request several billion baht to provide help.

[Answer] They are probably making various preparations. Things will be fun for awhile. But no one has ever told me how much money each farmer will get. They just do this and that and support this and that. Everything is in turmoil. If the government wants to do something, it should spell out exactly what it plans to do. It's not enough to say that it will do something. It should ask itself what it hopes to accomplish. That should be used to guide things.

[Question] It is said that providing help in certain areas will help improve the entire system.

[Answer] That is incorrect. If things are done on a piecemeal basis, that will not help anything. That will help only those who are fortunate enough to sell to the government. And it will help certain government officials. It may also help certain politicians.

[Question] What are the chances of Thailand opening additional rice markets at a time when competition is very strong? Also, there is the U.S. Farm Act, which has caused Thailand to lose rice markets.

[Answer] We have to continue struggling. We have to export as much rice as we can. In my view, that is the government's most important duty. The government has the power to do this. I favor supporting exports. We must export our rice as quickly as possible. We must export as much as we can.

[Question] What mechanism is needed to support exports?

[Answer] No mechanism is needed. If you say, O.K., let's export rice, the government will give money for each ton exported. Regardless of who it is, the government will give 200 baht for each ton exported. It isn't necessary to purchase anything.

[Question] And it isn't necessary to charge a premium, right?

[Answer] You are trying to support exports. How can you collect a tax? But where are you going to get the money? I don't know. If you collect a tax from them, how can you prop up prices? I don't think that that will work.

[Question] In that case, what can be done to ensure that the benefits don't all go to the exporters?

[Answer] By giving money to everyone. You don't choose certain people. You let them export rice freely. They will want to get the 200 baht. They will compete. They will compete for export orders. They will compete to buy rice domestically. If you allow them to export rice freely, the exporters won't make a very large profit. You can ask them how much they made during the past several years. They made very little. The profits that they made came from their share of the government-to-government rice that the government sold.

[Question] In that case, what about the proposal to have state units, such as the Department of Foreign Trade, purchase rice and then sell it to merchants for export? The government would purchase the rice from the farmers.

[Answer] It would have to buy all the rice. It couldn't buy just some of the rice. My principle is very simple. Regardless of what the government does, if it supports the exporters, it must support all of them without putting any restrictions on quantities. The rate should be set at 200 baht per kwian or ton. This should apply to all equally. And if the government purchases rice from the farmers, it must be prepared to pay 3,000 baht.

Suppose that the Department of Foreign Trade plans to pay the farmers 3,000 baht for their rice and then sell it to the exporters. And suppose that they can sell it abroad for 2,500 baht. That means that the government must provide 500 baht in support funds. Why should the Department of Foreign Trade run about purchasing rice from the farmers and then sell it to merchants? It's much simpler to tell the exporters that the government will give them 500 baht. This will have an effect automatically. You don't have to waste time purchasing rice. The Department of Foreign Trade doesn't have the capabilities to purchase all the rice at that price. It must decide where to purchase the rice and from whom to purchase the rice. And if it makes purchases in one place, to whom are people in other places going to sell their rice and at what price? If there is a two-price structure based on sales to the government and sales to the merchants, how will the profits be shared? There would be great confusion. This is what happened in the past, and it led to corruption. And because of this, the Public Warehouse Organization is now bankrupt.

[Question] Other measures, such as exchanging fertilizer for rice, are just supplementary measures, right?

[Answer] That is just window dressing. I don't even want to call them supplementary measures. I don't know what they are supplementing. The principal measure is wrong.

[Question] How much longer will the Farm Act affect Thailand?

[Answer] It will have an effect until the United States reduces production. It will continue to have an effect. The law does not expire until 1990.

[Question] The Ministry of Commerce has said that it will step up rice sales and that the mills and exporters will profit from purchasing rice from the farmers.

[Answer] O.K. The main duty of the Ministry of Commerce is to try and sell as much rice as possible. After the rice has been sold, how will they be able to purchase rice domestically? This will not have much of an effect on prices in general. If the government puts in a very low bid for the rice, the result will be the same. Thus, the government should not distribute those profits to the rice mills and exporters as it is doing today. As you probably know, there are several lots of rice for which quotas have been allotted, with money changing hands. This shows that the government-to-government rice allotment system in the country is incorrect. The money earned from abroad at high prices is not benefiting the farmers. The government's only duty is to sell as much rice as it can as quickly as possible. At the very least, it must obtain orders. It can then export the goods later.

[Question] What do you think about what they have done in the past?

[Answer] I have not followed things to see if they have done a good job or not. But exporters have complained that they sometimes compete for the markets of those in the private sector. That is, on one hand, the government complains that the exporters engage in price cutting. But the government itself undercuts the exporters and competes for markets. I think that the government must do what it can to export as much rice as possible. If the government can do a better job than the private sector, it should go ahead. If the private sector can do a better job, the private sector should be allowed to do this. But the objective is simple, to export as much as possible as quickly as possible.

[Question] Will there be any problem because of the low export price?

[Answer] The government must take the risk. Every time that exporters quote a price to foreigners, they have to consider how much they will have to spend for the rice. The government has to have the ability to judge this, too.

[Question] It will be a major problem if the selling price is too low.

[Answer] If that happens, they will lose money. But I don't think that will happen. The exporters know what the price should be. They will buy and hold the rice or purchase more later on. Before they quote a price to foreigners, they must first know the domestic price. They must judge when to buy the rice. There is a risk involved. Unless you are willing to take the risk, you should stay out of this business and leave it to others.

[Question] The fierce competition makes things difficult.

[Answer] Certainly. The world doesn't exist for the benefit of Thailand. There are many in the world who will compete against us. What we have to keep an eye on is whether those who are competing against us are competing with their own strength or whether they have outside support. For example, the competition between the United States and Thailand is not fair. The government must complain about this to the United States. It must complain as loud as it can. The government is still pulling its punches.

[Question] Is politics involved?

[Answer] I don't know what the reason is. All I know is that the government is pulling its punches. There are several matters that we must settle with the United States. But we haven't done so. We haven't done anything.

[Question] To what are you referring?

[Answer] Issues concerning international law. Issues that must be discussed with the U.S. administration and U.S. Congress. We must try to sway the opinion of Americans who are not farmers on certain issues. There are several things that the Thai government could do if it wanted to. There are issues that need to be discussed frankly. But nothing has been said. They are just sitting with their hands together. They have asked this and that from us on international trade issues, and we have tried to accommodate them. We must tell them frankly that they are bullying us on a key economic issue. It can't be denied that they are bullying us. They shouldn't ask us for help on other issues if they aren't prepared to help solve the problems that are important to us. They have to know that if they want to have any more dealings with us, they must let us profit, too. We can't continue to pander to them and give them everything they want.

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THAILAND

EDITORIAL FAULTS GOVERNMENT RICE PRICE POLICY

Bangkok SU ANAKHOT in Thai 19-25 Nov 86 p 2

[Editorial: "The Government's Efforts To Solve the Rice Price Problem"]

[Text] The Prem administration has decided to try and solve the rice price problem through the use of the market mechanism. That is, it will allow trading activities to be carried on freely. All that the government will do is allot a sum of money so that exporters can borrow money at a low rate of interest. The state will make similar services available to the rice mills. The opposition recommended that the government solve the problem by announcing a guaranteed rice price of 3,000 baht per kwian [1 kwian equals 2,000 liters]. But the government wasn't interested.

The opposition parties did not recommend impractical methods for solving the price problem. They clearly suggested that the government solve the problem using methods based on the actual situation. That is, they suggested that the government use the financial institutions, which have huge sums of money available, and have them accept the rice pledges of the farmers so that the farmers don't have to rush to sell their rice, which allows the rice mills and exporters to squeeze prices. But the administration has asked the farmers to sell their rice as quickly as possible. The exporters are to find ways to export as much rice as possible. Everyone knows that this method will just result in more farmers going bankrupt.

The government's attempts to solve the rice price problem have been a farce. It has appealed to the people to buy rice as a gift. But people keep only enough rice on hand to last them a day, a week, or at most a month. Also, the government has appointed a person who knows nothing whatsoever about rice to head the committee to solve the rice problem. This man does not know how the rice price guarantee or rice price support system works. He doesn't even know what the Farmers Welfare Fund is.

The government frequently says that it is very concerned about the standard of living of the farmers. But it always does the opposite of what it says. How can the government expect the people to trust it? If the government acts this way, it certainly can't be said that the government is working to protect the interest of the majority of the people.

We feel that the government should review this problem as soon as possible before the present rice crop goes to market. We don't feel that the government will lose face if it makes changes and implements new measures to solve the rice problem, even if the new measures were suggested by opposition parties. Because a good government is one that works to ensure that the people benefit as much as possible from its administration.

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THAILAND

GOVERNMENT STEPS TO HELP FARMERS ASSESSED

Bangkok SU ANAKHOT in Thai 12-18 Nov 86 pp 27-29

[Article by Sattha Chit-ari: "Measures To Solve the Rice Price Problem and Criticisms"]

[Text] During the past week, there has been much talk about the government's effort to solve the problem of depressed rice prices. This has been discussed by the mass media, scholars, and members of opposition parties. This is because this problem directly affects the farmers and the country's economy in general. I would like to summarize the government's measures and the criticisms that have been made by various groups.

The Government's Measures

On 3 November, the economic cabinet issued the following resolution on solving the rice price problem:

1. Alloting a sum of money for losses involved in stimulating the export of rice at the beginning of the season is approved in principle. The Ministry of Commerce is to work out the details and submit them for approval.
2. The Ministry of Commerce is to handle things in supporting the use of the counter trade system in order to export rice. It is to prepare proposals for consideration.
3. Authorization is given to carry on the Credit Program for Production and Rice Marketing Services of the cooperatives for 1 more year with a budget of 500 million baht.
4. Authorization is given to carry on the Paddy Stockpiling Program of the agricultural groups. This is to be funded with the money remaining from the Farmers Welfare Fund allotment authorized by the cabinet on 6 August 1985, with the same criteria in effect.
5. The Ministry of Agriculture and Cooperatives is to review the proposal to pay for the fertilizer used by the farmers with paddy belonging to the Marketing Organization for Farmers and then submit its recommendations.

6. Authorization is given to carry on things based on the Paddy Market Intervention Program of the Ministry of Interior. Money borrowed from the Farmers Welfare Fund will be allotted to provincial governors to purchase paddy from the farmers in order to solve the immediate problem.

7. The ministries of interior and finance are to consider the suitability of increasing the budget of the Ministry of Interior's Paddy Market Intervention Program from the present figure of 200 million baht and, if so, by how much.

8. The deputy minister of finance proposed granting credit and revising the tax measures in order to support domestic rice stockpiling and exports. This is approved in principle. This includes measures to pay compensation for the interest payments of the farmers who have to repay the Bank for Agriculture and Cooperatives and measures to use the commercial banks to help encourage those who purchase rice from the farmers markets to pay a fair price for the rice.

9. The elements of the Committee to Intervene and Raise Rice Prices are to be improved. Admiral Sonthi Bunyachai, the deputy prime minister, is to serve as chairman. The committee is to be renamed.

10. The committee chairman is to appoint members, who will be responsible for supervising and monitoring the work and coordinating the activities of the officials concerned to ensure that they carry out the work efficiently and achieve results in the accord with the government's policies.

11. The public and private sector units that regularly purchase large quantities of milled rice, such as the ministries of interior and defense, are to purchase rice from the mills and farmers groups at the beginning of the season.

Criticisms

After the economic cabinet issued this resolution, there was widespread criticism of the government's policy on the rice price policy. In particular, on 6 November 1986 at the Narai Hotel, opposition parties held a seminar on the topic the "Crisis Concerning Thai Agricultural Products." Those participating in the debate included university instructors, people from the Rice Mill Association, exporters, and farmers.

Mr Charoen Chaowaprayun, an MP from Chiang Mai Province and the deputy secretary general of the United Democracy Party, spoke about the appointment of Admiral Sonthi Bunyachai, the deputy prime minister, to the position of chairman of the Committee on Rice Policies and Measures, which was established on 5 November 1986. He said that the appointment of the deputy prime minister to this position is very worrisome because he has never had any experience concerning rice. The rice problem is a major problem, and the government has never had any success in solving this problem.

Mr Choemsak Pinthong, an instructor with the Faculty of Economics, Thammasat University, said that the government is adhering to a policy of free trade at a time when the farmers do not have any bargaining power. Thus, farmers have

had to accept low prices. The fact that the government is helping certain exporters instead of all exporters equally means that only certain exporters will benefit. This will not help raise paddy prices.

There are presently three groups that stockpile rice: the rice mills, the storehouse operators (paddy merchants), and the farmers. The government has said that the banks will make low-interest loans to all three groups in order to stockpile rice. But that is not true. The commercial banks have never made loans to the farmers. The only ones who have benefited have been the mills. And the mills that have lost money have not lost money from milling rice. Rather, they have lost money from stockpiling rice in the hope of making larger profits. But they guessed wrong because of the turmoil on world markets.

As for making interest-free loans to the farmers from the Farmers Welfare Fund and using 300 million baht to purchase rice from the farmers, almost all of this money will go to a few farm leaders.

Mr Cheomsak also said that a few days ago, the government issued a resolution to pay compensation to exporters. It has tried to keep this a secret from the people. Thus, he is asking MPs in both government and opposition parties to help monitor this.

There were many others who disagreed with the government's policies on solving the rice price problem. This seminar sponsored by opposition parties proposed the following for solving the problem:

1. So that the farmers do not all sell their rice at the beginning of the season, which results in low rice prices, the farmers should have barns to stockpile their paddy. There should be barns in each subdistrict, with the farmers cooperatives responsible for the barns. After the paddy is harvested, it can be stored in these barns. The paddy can then be pledged to the commercial banks at 80 percent of the value of the rice at the guaranteed price. Using this method, the rice can be released gradually.
2. There must be guaranteed rice prices, because the market mechanism is not free. The guaranteed price should be at least 3,000 baht per kwian [1 kwian equal 2,000 liters].
3. Money should not be given to bureaucrats or state organizations to help just certain individuals and groups. Instead, attention should be given to the appeals of the people.
4. The government must take quick action to solve the problems concerning agricultural goods, such as the Farm Act problem. It should submit a complaint to the GATT. It should also inform the U.S. administration that this law is unfair to Thailand so that the administration can discuss this with Congress.
5. Thailand's rice trade is an open-door, or free-trade system. Thailand should open up new markets with the socialist countries. It should not tie itself just to the capitalist countries.

Comments from the Farmers

On 7 November, Mr Ubonsak Bualuangngam, the president of the Farmers Federation of Thailand, and 120 farm representatives from around the country met with Admiral Sonthi Bunyachai in his capacity as the chairman of the Committee on Rice Policies and Measures in order to recommend ways to solve the rice problem. These recommendations came out of the seminar that was held for farm leaders at Chittaphawan Withayalai at the end of September 1986. They made seven recommendations:

1. The government should cancel the 14 billion baht debt that the farmers owe the Bank for Agriculture and Cooperatives.
2. The government should set the guaranteed price of paddy received directly from the farmers at at least 3,500 baht per kwian.
3. The government should carry on land reform so that the farmers have their own land to work.
4. The government should set fuel prices so that prices are the same nationwide.
5. The government should use funds from the Farmers Welfare Fund to help the farmers directly.
6. The government should support an all-round farm program.
7. The government should support the Farmers Council.

Admiral Sonthi received their recommendations and said that he would convene a meeting of the Committee on Rice Policies and Measures on 10 November 1986 in order to formulate measures to lower interest rates and reduce the debt of the farmers as quickly as possible.

The farm problem has been an important national problem for a long time. In particular, the rice price problem is very serious. The policies and measures of past administrations have all failed to solve this problem. An important reason is that the various administrations have not represented the farmers. Those in the administration have usually been wealthy people with economic and political power. They have tended to be the elite of society. Thus, the policies and measures formulated have usually reflected the standpoint of the elite in society. As a result, their policies have not benefited the farmers, who are mostly poor people and who form the bulk of the population.

Besides reflecting the government's standpoint and its sincerity toward the farmers of the country, the policies and measures stipulated by the present administration will determine its success or failure in solving the rice price problem, and this will prove whether this government deserves the support of the people. At that time, the people may have to join forces and exert pressure once again.

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SYSTEM OF EXPORT-IMPORT PERMITS IMPLEMENTED

Hanoi NGOAI THUONG in Vietnamese Sep 86 pp 20-22

[Article by Nguyen Ngoc Hieu: "The Customs Sector and the Implementation of the System of Permits To Export or Import Goods"]

[Text] Implementing Resolution No 128/HDBT, dated 30 April 1986, of the Council of Ministers, which made stipulations regarding export-import activities and organization, on 22 June 1986 the Ministry of Foreign Trade and the Customs General Department issued joint circular No 62/TTLB-NgT-TCHQ on implementing the system of permits to export and import goods. That circular defined the responsibilities and authority of the Customs General Department in stipulating and implementing the system of permits to export and import goods. Within the sphere of this article, we would like to discuss the responsibility of the customs sector in organizing the implementation of that joint circular.

I. Competence of the Customs General Department To Issue Permits To Export or Import Goods

1. The above-mentioned joint circular (Point 1.2 of Part I), clearly stipulated the types of export-import goods for which the Customs General Department issues permits:

Goods and products (including cultural products) not included in the central-level or local state plans which the sectors and organizations are authorized to directly export and import, exported or imported by the organs and mass organizations, owned by private individuals in Vietnam or abroad, or imported as luggage, gifts, aid goods, property in transit, advertising samples and models, exhibits brought into Vietnam by foreign countries, goods exchanged by the people in border area and abroad (previously called minor category state retail goods of people living in border areas), and goods belonging to diplomatic organs and international organizations in Vietnam. Such goods are normally called noncommercial export-import goods.

Temporarily exported and imported goods and goods in transit through Vietnam (i.e. goods belonging to another country in transit through the Socialist Republic of Vietnam en route through Vietnam).

2. The Customs General Department has exclusive right to issue permits for the various kinds of goods and products mentioned above. But to facilitate implementation and avoid inconveniencing shippers, the Customs General Department decentralized the issuing of permits vis-a-vis such goods and products, as follows (Directive No 659/TCHQ-TH, dated 10 July 1985, of the Customs General Department):

a. The Customs General Department: the issuing of permits to export or import goods and products by:

1. Organization authorized to directly export and import, and the central-echelon organs and mass associations.

2. Diplomatic organs and international organizations in Hanoi, as well as good and products owned by foreign cadres and personnel working in such organizations.

3. Foreign technicians and foreign citizens working or living in Hanoi.

b. The customs offices of provinces, municipalities, and special zones under the central echelon: the issuing of permits to export or import good and products belonging to:

1. Organizations authorized to export and import directly, goods belonging to organs and mass associations, or goods owned by private individuals in provinces, municipalities, and special zones:

2. The general consulates, consulates, and maritime organs of foreign countries and the international organs (if any), located in the provinces, municipalities, and special zones:

3. Foreign specialists and people of foreign nationality who work or live in the provinces, municipalities, and special zones (the Hanoi municipal customs office only issues permits to the categories in b1, while the Customs General Department issues permits for categories in b2 and b3 above.

c. Port customs offices do not have the right to issue permits for the types of goods and products mentioned above.

3. The issuing of export-import permits for the exchange goods of people living in the Vietnam-Laos and Vietnam-Cambodia border areas is the responsibility of the Customs General Department. But the nature of ordinary goods differs from that of the noncommercial export-import goods, the Council of Ministers will make appropriate stipulations. At present, the customs organs of the Vietnam-Laos and Vietnam-Cambodia border provinces will continue to apply the present management measures regarding such goods until new regulations are issued.

4. Permits to export and import such goods and products will be in accordance with forms "HQ 102" and "HQ101," which are printed and distributed only by the Customs General Department.

II. Responsibility of Port of Entry Customs

1. All kinds of goods exported or imported through ports of entry are subject to inspection and management by customs.

Port of entry customs offices are only authorized to do export-import paperwork for goods and products listed in the authorization papers issued by the Customs General Department or the customs offices of the provinces, municipalities, and special zones directly under the central echelon.

In instances in which there are no permits the goods and products exported or imported or the permits have been improperly issued, or in which the permits are no longer valid, the port of entry customs offices must not allow them to be exported or imported, but must make a report so that action may be taken, while immediately informing the Customs General Department and the customs offices of provinces, municipalities, and special zones by the most rapid means.

2. It is necessary to promptly liquidate the export-import permits:

a. With regard to export-import permits issued by the Ministry of Foreign Trade:

Vis-a-vis a permit which is valid for only one shipment of goods, when filling out export-import forms it is necessary to submit them to the port-of-entry customs office to verify the shipment (all three copies of the permit and the number issued by the Ministry of Foreign Trade):

The port-of-entry customs office will send one copy to Customs General Department.

Two copies will be returned to the shipper. One copy will be sent back to the Ministry of Foreign Trade (which issued the permit) and the shipper will retain one copy.

b. With regard to export-import permits for multiple shipments, after each shipment the shipper must request the port-of-entry customs office verify all three copies of the permit issued by the Ministry of Foreign Trade, then retain them for use in future shipments. Once the permit is no longer valid, the port-of-entry customs office notes that fact on all three copies of the permit, which may be used as stipulated for permits issued by the Ministry of Foreign Trade for single shipments.

In the event that it is deemed necessary to immediately suspend the implementation of an export-import permit issued by the Ministry of Foreign Trade, the Ministry of Foreign Trade will direct the relevant export-import organization, while also informing the Customs General Department so that it can direct the port-of-entry customs office can suspend it.

c. With regard to permits issued by the Customs General Department and the customs offices provinces, municipalities, and special zones, after which they will do the export-import paperwork and verify on the permit that the

goods have been exported or imported, after which the permit must be retained and then returned to its source of origination so that it can be liquidated.

In the cases of both (a) and (b) above, the port-of-entry customs offices must fully record and journalize them in the unit's "monitoring the situation of export-import implementation" book to facilitate future reference.

III. All exporting-importing of goods without permits, and all acts which violate the system of export-import permits are dealt with in accordance with customs law and current law.

2. The exporting or importing of goods without permits, and violations of the system of export-import permits within the competence of the customs offices of provinces, municipalities, and special zones under the central echelon, will be dealt with by administrative measures, in correct accordance with the current administrative redress principles and customs legal procedures.

With regard to instances of violations of the permit system by diplomatic representative organs, international organizations, and foreign nationals, first of all the port-of-entry customs office must make out a complete report and legal paperwork then report to the provincial, municipal, and special zone customs offices.

In such cases, the provincial, municipal, or special zone customs office must report to the Customs General Department by the most rapid possible means.

The Customs General Department is the administrative organ of last resort with regard to the importing and exporting without permits, and violations of the system of permits for the exporting and importing of goods.

With regard to violations of the permit system by diplomatic representative organs, international organizations, and foreign nationals, the Customs General Corporation does not give the customs offices of the provinces, municipalities, and special zones the right of disposition.

3. Every month the Customs General Department reports to the Ministry of Foreign Trade instances of the exporting and importing of goods without permits and violations of the permit system by central and local export-import organizations and sectors, as well as the forms of disposing of violations, is that the Ministry of Foreign Trade can apply timely corrective measures.

If the central and local export-import organizations a sectors, as well as all relevant categories, work with the customs sector in strictly implementing Circular No 62/TTLB-Ng T-TCHQ and the documents of the Ministry of Foreign Trade and the Customs General Department, it is certain that the export-import permit system will play an increasingly more positive role and contribute in a practical manner to correctly implementing the state's policy of retaining a monopoly with regard to foreign trade and all other economic relations with foreign countries.

5616

CSO: 4209/182

USSR ASSISTANCE IN FERTILIZER SUPPLY, RUBBER CULTIVATION REPORTED

Hanoi QUAN DOI NHAN DAN in Vietnamese 6 Nov 86 pp 1, 4

[Article by Tran Hoang: "During Past 5 Years, Soviet Union Has Supplied More Than 4 Million Tons of Nitrate Fertilizer to Our Agricultural Sector; Vietnam Rubber General Department Completes Many Projects in Cooperative Program With the Soviet Union"]

[Text] Carrying out an agreement between the Soviet Union and our country to supply fertilizer on an annual basis, during the past 5 years (1981-1985), the Soviet Union Fertilizer Federation supplied more than 4,067,000 tons of standard nitrate fertilizer to our country's agricultural sector to serve the intensive cultivation of crops. The regular supplying of fertilizer by the Soviet Union every contributed importantly to enabling our country to increase its grain output from 15.1 million tons in 1981 to 18.2 million tons in 1985. Nitrate fertilizer supplied by the Soviet Union also contributed to the intensive cultivation of the various kinds of vegetables and subsidiary food crops and short-term industrial crops to create sources of agricultural products for export.

As of 30 September the Soviet Union had not only supplied the more than 1,061,000 tons of fertilizer called for by the plan for 1986 (the year in which the greatest quantity ever was attained) but supplied an additional amount of 160,000 tons of nitrate fertilizer included in the 1987 plan.

During the past 5 years the Soviet Union has also supplied more than 176,000 tons of potash fertilizer and hundreds of thousands of tons of ferric sulfate (Fe 2S), the primary raw material used by the Lam Thao superphosphate plant in Vinh Phu to produce superphosphate.

In the process of carrying out the agreement of supply fertilizer to our country, the Soviet Union Fertilizer Federation and the representative organ of the Ministry of Maritime Fleet in Vietnam made all-out efforts, with a spirit of doing everything to supply their Vietnamese friends with greater quantities of fertilizer every year and on schedule.

Between 1983 and 1985 the Soviet Union signed with our country agreements to supply Vietnam with more than 1 million tons of standard nitrate fertilizer a year, but in 1983 and 1984 we did not receive the full amounts of fertilizer

called for by the contracts. In order to resolve that problem, in 1985 the Soviet Union Fertilizer Federation not only supplied the full amount of 1,075,000 tons called for by the agreement signed by the two countries, but also made up for the short-fall of past years. With regard to potash fertilizer alone, the 1986 agreement called for the Soviet Union to supply our country with 50,000 tons, but our country's agricultural sector has received 82,498 tons, the greatest amount of potash fertilizer ever.

The Vietnam Rubber General Department recently organized a solemn ceremony to mark the beginning of a cooperative program with the Soviet Union to develop rubber cultivation.

During the past 5 years, most of the state rubber farms fulfilled and surpassed the economic-technical norms assigned them, assured the ratio of live plants, and surpassed the technical requirements and norms. Many state farms applied the method of planting seeds, which is a highly technical method but economized on labor and investment capital. The rubber cultivation technical procedures were closely inspected from the work teams and units up to the corporation. Before carrying out a task, the corporations organized technical training and demonstrations for cadres and workers. The contracting-out measures and forms were applied in a manner appropriate to each task and each type of labor. The Dau Tieng Rubber Corporation is the unit with the most accomplishments in the sector with regard to growing rubber. Because it did a good job of tending them, the plants matured rapidly. Furthermore, it provided seedstock and technical assistance to the localities to develop the rubber-growing area and help our friends Cuba and Cambodia. At the same time, the corporation divided up its labor forces and facilities to set up other rubber-growing corporations in the Central Highlands.

Those accomplishments created a solid basis on which our country can continue to sign agreements with the Soviet Union to plant 300,000 hectares of rubber between now and the year 2000. The sector's rubber corporations are planting 160,000 hectares of rubber, including 110,000 hectares called for by the 1986-1990 cooperation plan with the Soviet Union.

5616

CSO: 4209/180

LE DUC THO ADDRESSES HA SON BINH PARTY CONGRESS

Hanoi NHAN DAN in Vietnamese 21 Oct 86 pp 1, 4

[Article: "Ha Son Binh Party Organization Holds Congress, Comrade Le Duc Tho Attends and Makes speech"]

[Text] Between 14 and 20 October 1986 the party organization of Ha Son Binh Province held its fourth congress to study and contribute opinions about the Central Committee documents that will be presented to the Sixth Party Congress, review the implementation of the political missions of the party organization during the recent period, determine the directions, missions, and goals of the 1986-1990 period, elect a party organization executive committee for the new term, and select a delegation to attend the Sixth Party Congress.

The congress was attended by 444 official delegates representing 62,267 party members in 1,286 basic party units.

The congress was very enthusiastic and honored to receive comrade Le Duc Tho, a member of the Political Bureau and secretary of the Party Central Committee, who attended and spoke to the congress.

During the past 5 years (1981-1985), the party organization and ethnic minority people of Ha Son Binh Province have fully understood the lines and policies of the party and applied them to the specific circumstances of the locality, and have worked persistently bravely, and dynamically on the agricultural production front. Although over a period of 3 consecutive years natural disasters caused the loss of 180,000 tons of paddy, during the 1981-1985 5-year period the average annual grain output was 440,800 tons, an increase of 84,000 tons, over the average for the previous 5 years. The rate of grain output increase was 4.7 percent in the lowlands and 4.3 percent in the mountain region. Per-capita grain production increased from 256 kilograms to 288 kilograms, while the population increased by nearly 180,000 additional people. In 1985 the industrial crop area amounted to 12,800 hectares, a 250 percent increase. There were 37,500 hogs, a 9 percent increase with regard to numbers and a 34 percent increase with regard to the amount of meat. There were 41,000 cattle, a 220 percent increase, and 92,600 water buffaloes, a 0.4 percent increase, over 1980. The province assigned land and forests to the commercial management of collectives and families, and began to use nearly

10,000 hectares of open land on denuded hillsides to grow industrial crops and create new capabilities to grow ground cover on denuded hillside land in accordance with the combined agriculture-forestry mode. In industrial and handicraft production, great efforts were made to overcome difficulties with regard to raw materials and energy in order to retain and develop the production of many kinds of goods for consumption and export. Exporting was promoted. All districts and cities in the province had agricultural-forestry export products. In 1985 the province attained an export value three times greater than in 1980 (in the lowlands there was a 270 percent increase and in the mountain region there was a 600-percent increase). The party organization and people were concerned with and did a good job maintaining and protecting, the cultural-educational and security-national defense undertakings.

The Ha Son Binh party organization congress strictly reviewed the shortcomings, deficiencies, and remaining limitations in the process of leading, guiding, and organizing implementation. The output of grain is still low and unstable, the intensive cultivation of rice is not yet uniform, and attention has not been paid to enabling the production of subsidiary food crops and agricultural products to correspond to the existing land and labor and insufficient processing capabilities. In the lowlands there is still rice monoculture in some places, in the mountain region there is still much wasteland, and animal husbandry has not developed strongly in the various areas. There has been foot-dragging in assigning land and forests to the commercial management of collectives and families and the mode of combined agricultural-forestry production in many places has not been clearly defined and is inappropriate. A major deficiency has been tardiness in setting forth specific stands and policies to reorganize industrial, small industry, and handicraft production, so the local sources of raw materials have not been well exploited, the potential of the traditional sectors and trades has not been well developed, production is not yet stable, there are still too-few consumer goods, and there is still a serious shortage of tools to serve agriculture. The consolidation of the new production relations in both the lowlands and the mountain region has not received constant attention. There are still many deficiencies in the circulation-distribution work, which has not yet served to positively promote production and stabilize the people's living conditions, especially in areas continually affected by natural disasters and in high-altitude, distant, and remote areas. In the party building work there are such deficiencies as the incorrect and incomplete application of the lines, stands, and policies of the party to the actual conditions of the localities. In some places economic management and the proletarian dictatorship have been relaxed, the collective mastership right of the working people has not been respected and fully developed, the work style has not yet properly embodied the principle of democratic centralism, and little has been accomplished with regard to planning the training and cultivation of workers, especially at the basic level. On the part of some party committee members and leadership cadres there has been a lack of exemplariness or violations with regard to moral quality and life styles. In some places there is a lack of internal solidarity.

The party decided upon the guidelines, missions, and goals of the 1986-1990 period. The party organization and people of Ha Son Binh are concentrating all capabilities on the mission of comprehensively developing agriculture,

regard agriculture as truly being the foremost front, and endeavor to both intensively cultivate rice and expand the production of subsidiary food crops, in order to have sufficient grain for the people in the province, plus some for reserves. The land in the lowland and mountain region must be rationally used in order to at least double the various kinds of agricultural products for export and strongly develop such industrial crops as soybeans, peanuts, sugarcane, tobacco, tung oil, and tea. Efforts must be made to, by 1990, attain total grain output of 540,000 to 550,000 tons, use 10,000 hectares of hillside land to grow the various kinds of agricultural products for export, and increase the value of exports by 250 percent in comparison to 1985. We will comprehensively develop animal husbandry, including water buffaloes, cattle, hogs, poultry, and fish. We will continue to assign land and forests, and guide the cooperatives and families in developing the hill-land forest economy in accordance with the combined agriculture-forestry mode, tend and supplement 10,000 hectares of tung oil with economic effectiveness, zone, renew, and protect forests. We will develop the production of consumer goods, guide industry, communications-transportation, and electricity in doing a better job of serving agriculture, consolidating and increasing production capabilities and the quality of products of the small industry-handicrafts cooperatives, strongly develop handicrafts in agriculture encourage families and private individuals to produce consumer goods, and add to the installations and workers processing agricultural and forestry products. In the sphere of distribution and circulation, it is necessary to regard production as the root, find all ways to supply the various kinds of materials and raw materials for production, and endeavor to master markets ingrain pork, and export products. We must closely guide population planning and provide jobs for workers, strive to lower the rate of population increase to 1.7 percent, provide jobs for youths in cities and towns, and redundant employees of state organs, by setting up additional production-service installations wherever possible, assist and organize the production of handicraft goods and the processing of agricultural and forestry products, and transfer some workers and population--about 6,000 to 7,000 people a year--to develop the new economic zones. We will consolidate the new production relations and renovate the management mechanism and strengthen the state economy along the lines of increasing productivity, improving quality, eliminating the bureaucratic centralism-state subsidy mechanism, and change over completely to socialist economic-commercial accounting. With regard to the collective economy, it is necessary to strengthen and improve management, gradually strengthen the material-technical bases and promote the application of technical advances to production, and had a policy to encourage the family and private economies to develop in the right direction. Concern must be shown for developing culture and education, ensuring strong security and national defense, establishing order, strengthening discipline, and strengthening the role of the party and state in economic-social management.

We must build a strong party organization on the basis of educating and cultivating cadres and party members so that they can fully grasp the viewpoints, lines, and stands of the party as manifested in the documents of the Sixth Party Congress, strengthen and forge the revolutionary quality of the cadres and party members, overcome all negative phenomena, promote the work of planning training and correctly assigning cadres, perfect organization, renovate work styles, consolidate party organization at the

basic level, and strengthen the party's inspection work.

In his speech to the congress, comrade Le Duc Tho expressed his revolutionary sentiment and gratitude for the party organization and people of the ethnic groups in Ha Son Binh for having nurtured, assisted, and protected the party leadership cadres during the period of secret activity. He analyzed the method of evaluating the situation, and the good and bad points, in a comprehensive manner, and stated that in analyzing the economic-social situation it was necessary to consider the actual situation of production and life. Only by correctly evaluating the situation can we set forth correct and comprehensive policies and measures. Only by entering into very deeply and very specifically analyzing the circumstances and conditions can there be appropriate stands, policies, and measures. He agreed with Ha Son Binh's evaluation that agriculture had made great efforts during the past several years. He reserved much time for discussing the leadership and management style of the leadership cadres of the echelons and sectors. When the congress issues a resolution the echelons and sectors must concretize it and take the initiative in drafting long-range and short-range plans and in organizing their implementation. Once specific policies and measures have been adopted it is necessary to have concentrated investment with regard to guidance, apparatus, and cadres, clearly determine the completion time, carry out continuous inspection and supervision, and recapitulate experiences in a timely manner. In doing economic work there must be very strict discipline. Cadres engaged in economic work must relate to the actual situation, study theory and the actual situation, in order to improve their management ability, and renovate their thinking so that it can be appropriate to the actual situation. The leadership cadres at all levels must set aside much time to closely monitor the basic level and overcome the situation of bureaucratism and aloofness from the actual situation. Speaking of the cadre and organization tasks, he requested all cadres of all echelons and sectors to firmly grasp the situation of the cadre work and cadre standards, deeply study the actual situation, expand democracy within the party, bring an end to arrogance, paternalism, arbitrariness, and aloofness from the masses, and emphasized the necessity of opposing negativism within the party and severely punishing people who are corrupt, accept bribes, etc., thus lowering the moral quality of cadres and party members. The leadership cadres must set a good example for the lower echelon and the party members. The selection of cadres must be based on the standards of ability and moral quality so that they can be assigned appropriate work. The promotion and assignment of cadres must be fair and must be based on actual capabilities, the results of actual work, solidarity with others, and concern for everyone's living conditions. Finally, he recommended that after the congress the party organizations should make self-criticism and criticism a regular practice, restore discipline in the party and the state organs, and restore social order. He expressed confidence that in the homeland of the national hero Nguyen Trai and the great President Ho Chi Minh, where many of the leadership cadres of our party and state lived and worked, with the province's revolutionary tradition, and mutual aid and solidarity the ethnic groups in the province, the party organization and people of Ha Son Binh are certain to victoriously fulfill the missions and goals set forth by the fourth party organization congress.

The Ha Son Binh party organization congress elected an executive committee of

45 official members and 13 alternate members, 28 of whom are new committee members.

The congress elected a Ha Son Binh party organization delegation to attend the Sixth Party Congress.

5616

CSO: 4209/168

PHAM HUNG DELIVERS SPEECH AT CUU LONG PARTY CONGRESS

Hanoi NHAN DAN in Vietnamese 21 Oct 86 pp 1, 4

[Speech by Pham Hung at the Fourth Congress of the Cuu Long Province Party Organization"]

[Text] As reported by NHAN DAN, the Fourth Congress of the Cuu Long Province party organization met between 6 and 8 October 1986. The following is the speech by comrade Pham Hung, a member of the Political Bureau of the Party Central Committee and Vice Chairman of the Council of Ministers, at the Congress:

Today I am extremely enthusiastic over being invited by the Secretariat to participate in the Fourth Congress of the Cuu Long Province party organization and the election of delegates to the Sixth Party Congress. I am very honored to, for the first time, attend the party organization congress of my home province with the status of a delegate and meet the communist delegates in the province, after more than 55 years of revolutionary activity in many different places, but far from my birthplace.

With all the ardor of a person from this province, and with all the revolutionary sentiment of a communist, I would like to enthusiastically greet all delegates, old revolutionaries, families with merit toward the revolution, and the guests of our provincial party congress.

I have read the Political Report prepared by the party organization executive committee for presentation to the congress, and have some thoughts about a number of matters which I would like to express, as a delegate to the congress, so that we can work together in contributing to its success.

1. I approve of and agree with the important matters in the Political Report with regard to the great accomplishments and deficiencies, and with regard to the economic-social development guidelines and goals for the 1986-1990 5-year period. I also very happily and enthusiastically applaud the fine success of the party congresses at the basic, district, and city levels, which play an important role in the specific implementation of the lines, stands, and policies of our party and state. With a strict spirit of self-criticism and criticism, the comrades in the basic units and districts reviewed the tasks

that had been carried out, set forth the important guidelines and missions of their echelon, and contributed many useful opinions to the leadership of the province and the central echelon.

2. On building the province's economic structure.

Cuu Long Province has 185,000 hectares of cultivated land, has a seacoast, has fresh-water and salt-water areas, and has a population of nearly 1.8 million, including more than 700,000 workers. Its weather is generally favorable for agricultural development. The province as a whole, and each district, have over-all plans to serve as the bases on which to determine the short-range and long-range production development guidelines. They encompass great potential--land, rivers, the sea, and labor--and must be carried out in order to attain three goals: producing grain, food products, and raw materials for industry, producing increasingly larger quantities of goods for export, and creating an increasingly rich product structure. Agriculture must be developed with regard to both cultivation and animal husbandry. The number-one concern must be to solidly resolve the grain problem and gradually advance agriculture to large-scale socialist production, in a structure that closely and correctly combines agriculture, the consumer goods production, and service to the socialist industrialization of the nation.

The advancement of agriculture to large-scale socialist production must be based on continually consolidating and perfecting the socialist production mode and effectively use the nation's labor, land, rivers, and seas.

It is necessary to promote the building of water conservancy projects to achieve controllable irrigation and drainage, perfect and expand the growing of high-yield rice in many fields, ensure high-yield varieties and breeds for cultivation and animal husbandry, guard against and eliminate insects and diseases, provide sufficient fertilizer (both chemical and organic), provide sufficient animal feed to develop animal husbandry, and gradually mechanize cultivation and animal husbandry. It is necessary to strongly develop the aquatic products sector, which is also one of the province's strengths, with regard to catching and raising shrimp and shrimp, thus creating an important source of food products to serve domestic consumption and exports.

We must improve the quality of both production and management, build the material-technical bases of the cooperatives and production collectives, encourage the development of the family economy in the right direction, develop the sectors and trades, and create agricultural-industrial-commercial-credit alliances and production-commercial alliances between rural and urban areas, between districts and provinces, and between our province and other provinces and the central echelon. We must endeavor to enable everyone to have jobs, the entire land area to bring about increasingly greater economic efficiency, and all sectors and trades to have increasingly higher incomes.

In addition to economic development, it is necessary to develop education, culture, public health, physical education, and sports, etc., organize material and technical lives, and create the new man and the new countryside.

Advancing agriculture to large-scale socialist production absolutely does not

mean developing agriculture alone, but building a structure that closely combines agriculture with industry, while gradually, with regard to both scale and rate, attaining the greatest economic-social effectiveness, and attaining the goals set for each period. Agricultural development must be combined with the development of the consumer goods industry in both breadth and depth, from the food-processing industry and light industry, to the small industry-handicrafts sectors and trades in the urban and rural areas, building the infrastructure of socialism, and building roads. Only if by promoting the production of consumer goods and processing agricultural products can we increase the value of agricultural products in order to expand the domestic market and important sources of exports. Only by promoting the consumer goods production industry can we stimulate agricultural production, expand the division of labor, create additional jobs, develop the economy, increase labor productivity, increase national output and income, create capital accumulation from within the economy, and contribute to national industrialization.

Cuu Long Province has strengths with regard to agriculture and aquatic products, which are sources of raw materials for industry and goods for export, but it is necessary to continually improve the quality, and increase the export value, of goods sent to the domestic and foreign markets. We must positively develop local industry, especially the agricultural products and aquatic products, in order to improve the quality and increase the value of such products.

Therefore, it is necessary to concentrate efforts on, and firmly grasp, the strong, comprehensive development of both cultivation and animal husbandry, but it is necessary to promote the development of industry, small industry, handicrafts, the consumer goods production industry, the agricultural products and aquatic products processing industry, and especially the machinery industry at the provincial and district levels. If the machinery industry is not adequately developed, we cannot have favorable conditions for promoting the above-mentioned tasks or enter onto the path of national industrialization. It is necessary to positively build an industrial-agricultural structure at the provincial level and an agricultural-industrial structure at the district level.

3. Combining the promotion of production with mastering distribution and circulation.

In the present situation, we must clearly realize that it is necessary to closely combine promoting production with mastering distribution and circulation, i.e. in leading production it is necessary to grasp the results of production. In leading distribution and circulation, it is necessary to master the market and prices. In leading the protection of socialist property, it is necessary to oppose enemy sabotage and corruption, and resolutely punish dishonest merchants, speculators, black marketers, and people who upset the market. All of those things form a unified whole in socialist economic activities in fulfilling state plans and in the process of socialist industrialization. Only by combining the promotion of production with mastering distribution and circulation in accordance with the socialist order of a planned economy, and not relax control so that the free market can become dominant, can the living conditions of the people be maintained, only

then can capital be accumulated, and only then can there be conditions for consolidating national defense and security for and enabling our people to become stronger in all respects and win victory in building and defending the Fatherland.

In the initial phase of the period of transition in our country there exist many economic components. In addition to the socialist economic component there are also other economic components: the small-production economy of the individual peasants and the handicraft workers, the joint public-private component, and the private capitalist economy. Therefore, it is necessary to regard socialist transformation and the consolidation and perfection of socialist production relations as a permanent, continuous mission in the period of transition.

Socialist transformation is an arduous and difficult struggle between the two paths to settle the question of "who defeats whom" between the socialist economy and the nonsocialist economy. In that struggle, the socialist economy must advance continually and strongly to master the economy, gain the initiative, and win ultimate victory. Socialist transformation must obey the laws and the appropriateness of production relations to the nature and level of the production forces, and is not merely a matter of changing the ownership system, but of resolving the problem of production relationships in all three respects: the ownership system, the management system, and the distribution system. The highest goal of socialist transformation is furthering the development of production forces, so that everyone has a job, and works so that social labor productivity increases and the people's living standards are improved. We must transform to build, and build to do a better job of transforming.

Because many economic components participate in commodity production, of course many economic components also participate in the social market. The social market includes the organized market of the state and collective socialist commercial system, and the free market (direct commercial transactions between producers and consumers, and the circulation and service activities of the individual economy, including the small merchants in both urban and rural areas).

Our state must use effective measures to eliminate the commercial bourgeoisie and strictly punish the speculators and black marketers, while using appropriate policies and measures to develop the positive aspects and limit the spontaneous nature of the free market, lead it in the direction of state plans, and use it to supplement the organized market. The principal direction for the state to manage and master the market is to strengthen, and improve the quality of, the commerce and service of the socialist market, and enable it to dominate the market and replace and restrict the free market.

Under such circumstances, planning is a very difficult task. It is necessary to make planning the central concern and implement socialist economic and commercial accounting. As the central tool of the state management system, planning must encompass all economic-social aspects of the nation and be tied in with the external economy, to ensure the development of the national economy with steadily increasing efficiency. Therefore, the direction of

planning should not be only on promoting production, at the expense of relaxing distribution and circulations, and should not stress only the socialist economic component, but exclude the other economic components. It is necessary to continually improve planning methods in order to continually improve the position and quality of planning, and especially to draft plans at the basic level and balance plans in each district. Planning must play an increasingly decisive role in the development guidelines and in the principal spheres of the national economy, and must guide the activities of the national economy and the collective economy, and guide the activities of the other economic components. Planning should not be rigid, but should employ the distinctive laws of socialism and the laws of commodity production, including the law of value, the use of commodity-money relations, and market relations, and closely combine production with distribution and circulation. Planning must retain the principle of democratic centralism in economic management, and at the same time must be flexible, varied, and appropriate to the production and commercial conditions of each sector and basic unit. Planning must utilize the system of legal norms and guidance norms, while at the same time, by means of the system of levers and price, tax, credit, profit, salary, and other policies, guide the basic units in socialist production and commerce and guide the activities of the other economic components in accordance with the guidelines and goals of the state. Maintaining the bureaucratic centralism-state subsidy management style, or pursuing the management style, or pursuing the management style of using the free market to regulate plans, are both mistaken tendencies.

4. On combining economic construction with the consolidation of national defense and security.

It is necessary to enable cadres and party members in the party organizations, the governmental administrations, and the mass organizations, and all people in the province, of profoundly understand the nation's present situation, that under all circumstances it is necessary to endeavor to victoriously carry out the two strategic missions: successfully building socialism and strongly defending the socialist Vietnamese homeland.

Those two strategic missions cannot be separated from each other. It is necessary to endeavor to build socialism and enable our country to become stronger in all respects, for only then can it be sufficiently strong to defeat all sabotage plots and aggressor wars of the enemy to strongly defend the Fatherland. It is necessary to strengthen national defense and security, and defeat the enemy's multifaceted war of destruction, or only then can we create conditions for successfully building socialism.

The development of the Vietnamese revolution in the period of transition to socialism, and the contradictions between the capitalist and socialist paths, will inevitably give rise to powers which oppose the revolution from within our country. Meanwhile, the counterrevolutionary powers on the outside are still plotting to sabotage, annex, and commit aggression against our country. We have determined the basic and long-range enemies of the Vietnamese revolution and the world revolution, the direct and dangerous enemies of the Vietnamese revolution. They have allied with one another and with the other kind of international reactionaries to wage a multifaceted war of destruction

against Vietnam and the fraternal countries of Laos and Cambodia. They have insanely attacked and counterattacked our people's great undertaking of building socialism in all spheres of social life--political, ideological, economic, social, military, diplomatic, etc.--in hopes of sabotaging and weakening our country in order to overthrow and annex it. Their sabotage activities threaten national independence, peace, and stability in Indochina and are creating tension in the Asian-Pacific region and the world.

The socialist Fatherland is not merely a geographical concept encompassing land, rivers, mountains, seas, skies, but also a socialist system with a new economy, a new culture, and a new socialist man. The Fatherland is also the Communist Party, the nucleus of the proletarian dictatorship system, and the force which leads and organizes all victories of socialism. For that reason, defending the socialist Fatherland is not merely defending its sovereignty and territorial integrity, and preventing the enemy from encroaching upon an inch of the Fatherland. Defending the Fatherland also means the political protection of the socialist regime, defending the lines and organization of the Vietnam Communist Party, defending the proletarian dictatorship state, defending the solidarity bloc of the ethnic groups, and defending the worker-peasant alliance. It is necessary to build and defend a new economy, a new culture, and the new socialist man, and to defend the pure Marxist-Leninist thought that has taken form and developed in the enterprise of building socialism in our country.

Clearly, all accomplishments of socialism, whether large or small, may be sabotaged by the enemy if not well protected, which will adversely affect the basic units and prevent them from continuing to advance. Therefore, "defending socialism as a Fatherland" must become a habit in the thought and actions of all communist party members and of all socialist citizens in all spheres of activity. Consciousness of defense must be inculcated, with a strong spirit of revolutionary vigilance, and must become universal and permanent in all ordinary daily tasks of work, labor, production, and combat in the great undertaking of building and defending our homeland.

We must closely combine the fulfillment of economic and social missions with opposing enemy sabotage to protect national defense and security, and closely combine national and defense with security and social order. Production must be accompanied by protecting production and internal protection must be tied in with building pure inner ranks and resolutely eliminating the negative manifestations. The people's public security police and the People's Army must coordinate closely with each other, rely on the collective mastership strength of the working people, and launch an extensive, strong mass movement to protect the security of the Fatherland. It is necessary to create secure villages, secure neighborhoods, and secure enterprises, schools, and organs, under the leadership of the party committee echelons. Only thereby can we have a protective network to prevent any enemy from monopolizing and sabotaging.

With a sense of responsibility, each sector, locality, and basic unit, and each individual, in all spheres and positions, must make all-out efforts to work with high productivity, quality, and effectiveness, and practice absolute economy, while maintaining constant vigilance against the sabotage plots and

acts of the enemy, struggling against all negative phenomena, defending socialist property, mastering production, distribution, and circulation, mastering the market and prices, endeavor to build national defense by all the people, and maintain political security and social order and safety. To do so is to contribute to successfully building socialism, maintaining combat readiness, and strongly defending the socialist Vietnamese Fatherland. That is the path of advance for our people, in order to make great efforts to overcome difficulties, reduce poverty, and defeat all plots and activities of the enemy. It is the path of building a rich, strong Fatherland and creating a well-off, civilized, and happy life for the people.

The fourth congress of our provincial party organization signifies a new phase on the path of long-range struggle, full of sacrifice and hardships but very glorious, of our party organization for national independence and socialism. The new era poses for our party and people extremely great, complicated, and difficult missions.

Our party organization is a unified bloc with regard to thought and action, and has been challenged by tempests and difficulties during the historic turning points, especially during the two resistance wars against France and the United States. The ethnic groups in our province have devoted their sweat and blood to the party during the periods of revolutionary struggle. The resolution of this congress will further strengthen solidarity and unity in our party, and will further strengthen the ties between the people and the party.

With the glorious revolutionary tradition of the party organization, all party members will unite as one in building on the accomplishments and advances that have been made, overcoming the mistakes and deficiencies, resolutely eliminating the bureaucratic centralism-state subsidy mechanism, implementing socialist economic and commercial accounting, making planning the central concern, and preventing the free market from harming the lives of the working people and the cadres and men of the army and the public security forces.

With new thinking, new organization, and a new work style, we will overcome all difficulties, creatively transform all existing capabilities into new strength, and advance strongly to victoriously implementing the resolution set forth by the congress. We are fully confident that we will make new, greater accomplishments in the great undertaking of building a rich, strong, and beautiful Cuu Long Province and creating a prosperous, happy, and civilized life for the ethnic groups.

All for the socialist Fatherland and the happiness of the people!

The heroic Vietnamese people forever!

The glorious Vietnam Communist Party forever!

The great President Ho Chi Minh will live forever in our cause!

5616

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LONG AN REPORT ON SOCIOECONOMIC SITUATION PUBLISHED

Hanoi NHAN DAN in Vietnamese 5 Nov 86 p 86

[Party Building column: "The Socioeconomic Situation and Tasks of the Long An Provincial Party Organization"]

[Text] The political report presented at the Sixth Congress of the Long An provincial party organization evaluated the province's socioeconomic situation as follows:

Since 1983, agricultural, industrial, and small industry and handicrafts production has expanded, with agriculture in the lead. Striking progress has been made in the production of grain, cloth, which is the leading product of industry, saplings, and other important products.

Grain yields rose from 450,000 tons in 1982 to 600,000 tons in 1985. The per capita average rose to 530 kg while the population increased by 100,000 people.

The production of industrial crops has expanded well. The area planted in export peanuts has increased from 5,000 hectares in 1983 to 10,000 hectares, and yields have increased from 7,000 tons to 13,000 tons, 3,000 tons above the norm. The production of coconuts has doubled as compared with 1982. In Dong Thap Muoi, the area planted in cajuput increased from 15,000 hectares in 1982 to more than 60,000 hectares in 1985 (the planting norm was 10,000 hectares).

The livestock herds have increased from 56,000 head in 1982 to 95,000 head. Pond fish rearing to improve the standard of living is expanding, and people are beginning to raise shrimp for export in the salty areas of Can Duoc, Can Giuoc, and Vam Co.

In opening up virgin land in Dong Thap Muoi, initial results have been achieved in grain production, forestry, and the production of industrial crops and building materials. The military forces carrying on economic tasks in Dong Thap Muoi have handled receipts and disbursements themselves, accumulated money, and made major contributions to many projects to support production in Dong Thap Muoi.

Industry and small industry and handicrafts have expanded. Production of a number of important products has increased well as compared with 1982. The

production of cloth has increased by 3 million meters (85 percent), 500,000 meters above the norm. Rice milling increased 109,000 tons (33 percent), and the production of refined brick reached 17 million bricks. A number of products are being produced for the first time in the locality. These include rice threshers, pattered cement bricks, low-grade cement, coal briquets, and notebook paper. This has contributed to satisfying the needs of production and life. The small industry and handicrafts forces consist of more than 200 collective production installations with more than 6,000 skilled laborers.

However, industry and small industry and handicrafts is expanding slowly. Little attention has been given to the collective economy or to the families and individuals with capital and skills in order to formulate investment and product consumption policies and to stimulate and maintain stable expansion in production.

On the circulation and distribution front, in conditions of complex change, the purchasing of goods for the state has been maintained and expanded. The volume of goods purchased in the localities and the retail sales levels of socialist commerce have increased greatly. Purchases of grain and live hogs in 1985 almost doubled as compared with 1982. Even though major difficulties were encountered as a result of market and price changes, budget revenues were increased in order to fulfill the essential expenditure requirements. In 1984, total receipts doubled as compared with 1983, and in 1985, total receipts tripled as compared with 1984.

Because of improving circulation and distribution, implementing a one-price marketing system, and increasing wages to compensate for prices, the standard of living of the cadres, workers, and civil servants has been maintained at the necessary level.

The party organization has improved its leadership, particularly socioeconomic leadership. Correct ideas and viewpoints have been affirmed. In actual practice, we have learned many valuable lessons. There is greater internal solidarity. We have new models in manifesting the party's leadership viewpoints in the revolutionary practices and actions of the masses. This is a new capability in the coming stage.

However, along with the great achievements, we still have many very important weaknesses that must be overcome.

Leadership in agricultural production is not all-round, the animal husbandry capabilities have not been exploited well, and processing and consumption have not been organized well, which has had an effect on the expansion of industrial crops. The labor and population distribution targets, particularly for the Dong Thap Muoi zone, are still low. In a number of places, the living conditions of the laboring people are still very difficult, and the difficulties have not been overcome promptly. The cooperative agricultural movement and the collective economic organizations still have many weaknesses that have not been overcome. The cultural-social targets in building the new way of life and the new man have not been hit. This has not kept up with

economic growth or provided good support for the economic tasks. In many places, the cadres and party members continue to violate the collective ownership rights of the people.

Party building concerning ideology and organization and cadre organization have many weaknesses. Efforts to build the party during the past 3 years have not kept pace with the leadership requirements of the party in the situation in which expansion has led to many new and complex difficulties. We have not monitored ideological and organizational party building activities closely and regularly in order to fulfill the political tasks.

Political and ideological training, moral education, and training concerning the nature of the party, organization and discipline, the viewpoints and mass line of the party, leadership behavior, and the activity themes of the party are tasks that were not carried out well during the past period. They were obstacles and prevented us from scoring achievements on many fronts.

The report mentioned the following guidelines and tasks for the coming period:

Production and investment structure: For the next 5 years, the production expansion guidelines and tasks are: to concentrate efforts on expanding agriculture in all respects, consider agriculture as the leading front, expand the marine products and forestry sectors, promote the expansion of light industry, including the production of consumer goods and the processing of agricultural and food products, create sources of export goods, create additional jobs for laborers, generate accumulation from within the national economy, solidify and strengthen the machine industry, electricity, peat, fertilizer, and cement production installations, provide practical support for agro-forestry-piscicultural production and light industry, and continue to build and expand communications and transportation together with the other infrastructural elements concerned and the essential service activities. In the economic plans, attention must be given to applying the scientific achievements and technical advances in order to improve results.

Based on the above guidelines, forces, particularly capital and materials, must be assembled in order to implement the three most important programs in a synchronized manner: grain products, essential consumer goods, and export goods.

Agriculture: We must strive to have grain yields reach 1 million tons, or approximately 800 kg per person, by 1990. The target for the volume of production of meat of various types is 36,000 tons, or 30 kg per person. The target for the volume of production of poultry eggs is 100 million eggs, a per capita average of 82 eggs.

Attention must be given to growing industrial crops, creating a stable source of raw materials for industry and larger and larger sources of export goods, providing jobs for the surplus laborers, gradually carrying out a division of labor and reassigning laborers between agriculture and industry, and quickly expanding the production of short-term industrial crops such as peanuts, sugar cane, jute, green beans, sesame, piper nigrum, peppermint, citronella,

mulberries, and cotton and fruits such as pineapples and bananas. At the same time, a number of long-term industrial crops of high value, such as coconuts and peaches, must be selected and grown on a medium scale. Oil-bearing plants must be test grown, and industrial crops must be grown in cooperation with other provinces. During these 5 years, the area cultivated in industrial crops must be increased to 60,000 hectares.

Forestry: conditions must be created to encourage all the people to participate in planting trees. This can be done by allocating land, supplying planting stock, and guiding the cooperatives, production collectives, and families in planting trees to become self-sufficient in timber. There must be close coordination between the state enterprises, collective installations, and families in planting trees and protecting the forests.

Marine products: Attention must be given to both rearing and catching fish. The economic elements must work together closely in order to make the best use possible of the ditches, swamps, ponds, and fields in order to raise shrimp and fish. The capabilities for catching shrimp and fresh and ocean fish must be strengthened. In the districts in the Dong Thap Muoi area, the state must make investment plans and organize things to raise and catch shrimp and fish and other special export products such as fluta alba, frogs, ladybugs, snakes, and boidae. Along with the fishing activities, there must be measures to process, store, and preserve the products in order to support the needs of production, daily life, and exports.

Light industry and small industry and handicrafts: The activities of the state enterprises must be promoted based on intensive investment in order to increase productivity and improve quality and results. Small industry and handicrafts must be expanded using various forms, and production services must be expanded, such as by supplying materials, raw materials, and energy, ordering goods on contract, or carrying on joint state, collective, and private business activities.

The existing capabilities must be exploited fully, and the sources of capital, equipment, machinery, materials, and raw materials of the sectors, production units, and economic elements must be used. Attention must be given to increasing the volume of production of a number of essential types of goods for which the localities have the capabilities to increase production. Such goods include sugar, cloth, various types of paper, student notebooks, soap, and medicines. The commercial business units must give attention to purchasing and supplying raw materials or ordering goods on contract from the small industry and handicrafts installations. Plans must be made to make preparations and organize things for doing work on contract for other countries, particularly the socialist countries, in order to create additional sources of export goods and bring in more foreign currency. An effort must be made to increase the volume of production of refined sugar to 18,000 tons by 1990, which is an average of 15 kg per person, and the volume of production of cloth of various types to 10 million meters, which is an average of 8 meters per person.

The electrical, machine, chemicals, and communications and transportation industries must be developed and expanded in order to provide practical support above all to agriculture, forestry, pisciculture, and light industry.

An electricity network must be built promptly so that it is ready to receive electricity from the Tri An hydroelectric plant. The extraction and processing of peat must be strengthened in order to support production and life. Construction members must be supplied to make compost ovens, and the people must be guided in using biogas energy.

The machine installations must be equipped with uniform equipment and provided with additional technical workers. Production must be rearranged, tasks must be reassigned, and the production guidelines of each enterprise must be determined. A number of types of materials and parts must be imported in order to be able to repair most of the agricultural machinery and the various means of transportation. A effort must be made to manufacture a number of types of parts and tool-making machines (both mechanized and semi-mechanized) to support agriculture and the agricultural products processing industry.

The production of fertilizer must be expanded in order to support various crops that are suitable to the province's acid and salty soil.

Investments must be stepped up to expand the production of building materials, an important industrial sector in the province. The province must be capable of supplying most of the building materials and raw materials, from earth to low-grade cement, to satisfy the building needs of the state and people in the province.

We must continue to invest in building communications and water conservancy projects needed to support production, life, and national defense. First of all, efforts must be concentrated on expanding the communications system in the districts in the Dong Thap Muoi area.

Capital construction: The guiding principle must be to invest in essential projects to ensure that they bear fruit, have key points, are synchronized, and are completed. The main guideline is to concentrate on agriculture, the agricultural products processing industry, water conservancy, the production of export goods, the network of storehouses, stores, and stations to support business, a number of communications and transportation projects, and the electricity network.

Based on the charts for deploying the production forces and arranging the population, there must be measures and policies for sending laborers, including technical laborers, to the districts in Dong Thap Muoi. Each southern district must have projects and plans for carrying on capital construction, arranging the laborers and population rationally, and exploiting the zoned land effectively in order to form new economic and technical villages and clusters. There must be mobilization plans and suitable policies. Conditions must be created to have the warriors fulfill their economic obligations and settle down and work in Dong Thap Muoi, such as by going to work at the state farms, state forests, and enterprises that are being opened in this region.

Changing the economic management mechanism: The basic idea in changing the economic management mechanism is to eliminate bureaucratic centralism and state subsidies, switch to socialist business, put an end to controlling the economy through subjective will power and coercion, and switch to controlling things through correctly applying the objective laws and economic levers and coordinating this closely with using legal tools and educational methods.

The basic principles of the new management mechanism must be understood thoroughly and followed. Those are democratic centralism and socialist business (which includes socialist economic accounting). Responsibilities must be tied closely to power, and obligations must be tied to rights. The economic, educational, and administrative measures must be coordinated. In this, the economic measures are basic.

As for agriculture, making innovations in economic management is aimed at satisfying the needs of production and ensuring that the production installations and agricultural laborers expand production enthusiastically with their minds at ease. The state can influence agriculture mainly by creating conditions to maintain irrigation and drainage, supplying materials, machinery, energy, fertilizer, insecticides, electricity, and gasoline and oil, and organizing and guiding the application of science and technology (plant stock, breeders, and farming and breeding techniques) using purchasing and pricing policies and suitable economic contracts. After they have paid (or ensured that they will pay) their taxes, the producers have full ownership rights to their products. The peasants can be encouraged to sell their agricultural products to the state at negotiated prices, but they cannot be coerced. Economic contracts are a marketing form in which the contracts are signed before the start of the production season. The state will not intervene in the economic contract process. All it will do is serve as arbitrator and use the laws to settle disputes between the two sides who signed the economic contract (the peasants and the commercial production units that purchased the agricultural products).

Small industry and handicrafts: The independence of the primary level economic units with respect to commercial production must be maintained. However, in the process of implementation, studies must be done and things must be applied in accord with the local situation.

Circulation and distribution: Circulation and distribution includes commerce, pricing, wages, finances, currency, and markets. These things are all closely related to production and the standard of living. Because of this, making changes in circulation and distribution affects not only each sphere but also the entire economy, production, and the standard of living.

The main goal of circulation and distribution is to support production and the standard of living. Thus, steps must be taken to ensure that the state maintains many goods and controls distribution. There must be a resolute struggle to manage the markets and prices. There must be an effective struggle against exploitive business practices, private commerce must be reformed, and

a stable and strong national financial system must be built and solidified. Steps must be taken to stimulate and expand production, and the socialist principle of distribution based on labor must be implemented correctly.

Commerce must study and implement suitable business formulas, satisfy the needs of production and consumption as well as possible, provide goods to the consumers promptly, and maintain quantities and quality while holding expenditures to a minimum. Depending on the conditions, marketing can be carried on based on economic contracts, negotiated prices, or cooperative exchanges based on negotiated prices.

By 1990, state commerce and marketing cooperatives must account for 80 percent of the wholesale sales and 70 percent of the retail sales of the social markets. They must account for 90 percent of wholesale and retail sales of a number of essential goods.

The export-import sector is an economic spearhead and a center for maintaining the equilibrium of the economy. Thus, the task of exports in the coming period is to create a stable source of goods with a greater and greater volume and a high economic value that is more stable. The export-import sector must coordinate things closely with agricultural production and the export-goods processing industry. Economic contracts must be signed in order to provide equipment to agriculture and industry to expand export commodities.

Prices, which are a reflection of the basic economic and social relationships, are an economic management tool. The price policy must support the socioeconomic development targets and tasks. The price policy must be planned, and it must stimulate production, regulate the circulation of commodities and currency, and put the minds of the laborers at ease so that they can produce enthusiastically. Implementing the principles, policies, and measures on prices correctly was stipulated in the resolution of the Eighth Plenum of the CPV Central Committee (fifth term). The one-price mechanism for commercial business, including strategic materials, must be understood thoroughly and implemented uniformly. There must not be both a directed price and a commercial price for one type of commodity. People must not list goods in order to pad prices. The situation in which state subsidies are given through prices must be resolutely eliminated.

Socialist transformation: Socialist transformation regarding agriculture, industry, and commerce must continue to be promoted.

The goal of transformation is to support the requirement of expanding production and raising the standard of living. Because of this, the transformation motto for small producers in agriculture, pisciculture, and small industry and handicrafts and for small traders must be understood thoroughly. That motto is to educate them and gradually mobilize them to engage in production using suitable forms from top to bottom based on the principle of voluntariness, mutual benefits, and democratic management. Starting from the real needs of each economic and technical sector and each occupation and from the management and cadre capabilities of each place at the moment, a suitable form and scale of collective organization must be determined: cooperative, production collective, or cooperation team. Doing

things in a rush, being overly concerned about form, and failing to consider the economic and social effects, which could result in a decline in production, cause problems for circulation, and lead to a decline in the standard of living, are contrary to the above targets.

In agriculture, between now and 1990, we must concentrate on solidifying and improving the quality of the new production relationships, including the system of ownership of the production materials and the system of managing and implementing socialist distribution.

Private commerce and industry: The party's current policy on private industry (including private property and small landlords) is to carry on reform and implement the motto "improve in order to use, use in order to improve even more." During the next 5 years, investment capital for state industry will be concentrated on developing a number of key types of goods. For the rest, collective organizations will be used, with some produced by people in the private sector. Private individuals can be allowed to hire an additional number of workers for production purposes based on the state plan in order to make full use of the skills, capital, and technical bases of those in the private sector, produce products for society, and provide jobs for unemployed laborers. Depending on their capabilities and the nature of the goods, the state-operated and collective economic units can supply all the materials, raw materials, and energy in order to let out production work on contract. Or they can provide only some of the items. Goods can be purchased based on having the private sector obtain the rest of the items or organize joint business activities. As for ordinary goods, those in the private sector can be allowed to produce and distribute the goods themselves.

The commercial bourgeoisie must be eliminated. However, small and medium-sized traders who have capital, special skills, and a material base must be selected, educated, organized, used, and reformed using many suitable transitional forms. They must be allowed to carry on trade in a number of complex commercial sectors such as vegetables and fruits, fish, salted fish, and rattan and bamboo goods in order to satisfy the real needs of the people.

Using correct measures and policies, the state must help the family economy to grow. Agricultural reform must be tied to commercial and industrial reform. Marketing cooperatives and credit cooperatives must be built, consolidated, and expanded, and the activities of these cooperatives must be coordinated with the activities of the production collectives and agricultural cooperatives in order to provide good support to production and life.

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PARTY NEWSPAPER CALLS FOR CHANGE IN ECONOMIC THINKING

Hanoi NHAN DAN in Vietnamese 21 Oct 86 pp 1, 4

[Editorial: "Change Economic Thinking"]

[Text] In an important speech at the 10th Hanoi municipal party organization congress, General Secretary Truong Chinh said, "With regard to our country, change is an especially important requirement, a matter of life-or-death importance. That requirement is both an internal demand of our country's economy and is appropriate to the tendency of change of the epoch. Only by changing our way of thinking and working methods, changing our thought, changing our work style, and renovating our organization and cadre work, can we be capable of escaping from our extremely difficult situation at present.

The process of renovating the party's economic thought was set forth in the resolution of the Sixth Plenum of the Party Central Committee (Fourth Term) and the resolution of the Resolution of the Sixth Plenum of the Party Central Committee (Fifth Term), especially since the latter. The Eighth Plenum of the Party Central Committee profoundly analyzed our country's economic-social situation, and on that basis adopted the policy of resolutely eliminating the outmoded bureaucratic centralism-state subsidy system and changing over to socialist economic and commercial accounting, with planning as the central concern. The renovating spirit and contents of Resolution 8 have a very profound revolutionary significance, were a step forward with regard to our party's economic thought, and created an important transformation in the party's economic leadership--changing over from guiding the economy essentially by means of administrative orders to firmly grasping and objective economic laws. Those new conclusions of the Political Bureau of the Party Central Committee regarding a number of problems relevant to economic viewpoints in the process of preparing for the represented a new, very important change in the party's economic thought of a dialectical, scientific, and revolutionary nature. The unification of thought and action on the part of everyone, on the basis of those economic viewpoints, will create a new strength for our entire party and population and enable our country's economy and society to overcome difficulties and develop in a good direction.

The old prejudices, the old viewpoints, and the old economic thought regarding the period of transition, the economic structure, the goods-money relationship, prices, salaries, etc., are holding us back and impeding the

correct application of objective economic laws. The old thought and concepts may have been appropriate a few decades ago, but now clearly can no longer meet the requirements of the new situation. They also give rise to subjectivity, impatience, conservatism, and sluggishness. The new revolutionary phase and the mission of liberating the existing production capacity and developing all national potential in order to strongly develop the production forces urgently demand new economic thinking. To renovate the party's economic thinking is to apply the basic principle of Marxism-Leninism to the circumstances of our country being in the initial phase of the period of transition, in a manner appropriate to the objective laws and to the economic level of each developmental period.

Only by renovating economic thought can we correctly apply the viewpoints and policies of the party and regard socialist transformation as a permanent, continuous mission throughout the period of transition to socialism, with appropriate forms and steps, to enable production relations to always be appropriate to the nature and level of the production forces in each production process.

Only by renovating our economic thought can we renovate the management mechanism in a direction with profound revolutionary significance: resolutely eliminating the bureaucratic centralism-state subsidy management system and changing over to socialist economic and commercial accounting.

The new economic thinking is based on grasping laws and acting in accordance with objective laws, while overcoming the outmoded, simplistic viewpoints and thought regarding socialism, and prejudices regarding commodity production and the goods-money and market relationships, and the nonsocialist economic components, and overcome subjective thoughts which are separated from reality and distant from the masses, and are either conservative or hasty, in economic management.

To renovate economic thought is above all to renovate the thinking of the leadership and management organs. It is a process and a struggle. It is necessary to enable the new economic thought to be fully understood throughout the party, to serve as a basis on which to resolve the urgent economic-social problems. The Sixth Party Congress has the important mission of, on the basis of renovating thinking, determining the important tasks, in reorienting the economic structure, renovating the management structure, strongly developing the production forces while promoting socialist transformation, and contributing to carrying out increasingly profound and comprehensive renovation in all spheres of life in our country.

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SECOND HALF YEAR CRITICAL FOR SUCCESS OF 1986 IMPORT-EXPORT PLAN

Hanoi NGOAI THUONG in Vietnamese Jun 86 pp 3-5, 25

[Article: "Satisfactorily Strive To Do the Tasks for the Last 6 Months of the Year in Order Successfully To Complete the 1986 Import-Export Plan and Work Program"]

[Text] Fulfillment of the tasks of the import-export plan for the first 6 months of 1986 was accomplished under conditions fraught with many difficulties and complications. The socioeconomic situation has had many disturbances. Market prices are unstable. Material conditions guaranteed for the production and purchase of export goods are inadequate and untimely. But with the overall effort of import-export business sectors, levels and units from central to the localities in producing, procuring, and centralizing sources of goods and organizing for export, the value attained increased 19 percent compared with the corresponding period last year. Of this, many items increased rather well with items such as floor planking attaining 100 percent of the yearly plan. Compared with the corresponding period last year, the import value also did rather well; a number of principal items attained over 50 percent of the yearly plan, such as gasoline, oil, iron and steel, fertilizer, insecticide, raw cotton, etc. Imports from socialist countries have gone relatively well. A number of important items brought into the country has not only increased in volume over the corresponding period last year but also has promptly supported production, construction and life. Management of the import-export effort gradually made progress. A new management mechanism is gradually being built on the basis of thoroughly understanding the principle of the state monopolizing foreign trade and the basic tenor and content of Resolution 28 and 31 of the Political Bureau on prices-wages-money and Resolution 306 of the Political Bureau (draft) on the right of autonomy in production and business of primary level economic units.

Compared with the entire sector's 1986 task requirement as well as import-export plan norms, the level attained during the first 6 months of the year remains low. The volume of work remaining during the last 6 months of the year is huge and is being carried out under extremely urgent circumstances with many different tasks having to be accomplished all at once. Meanwhile, we need to orient the entire foreign trade

operation toward supporting the socioeconomic tasks and objectives of 1986, which have been identified since the beginning of the year and, at the same time, immediately together with sectors and levels, concentrate efforts on uniformly carrying out the urgent measures stipulated in the Political Bureau's Resolution 31 and the conclusions of the 105th Plenum (fifth session) of the CPV Central Committee, especially the measures aimed toward stepping up production and practicing thrift, organizing uninterrupted circulation of materials and goods as planned, and reforming and managing in order to control the market; strive to stabilize prices and money and reduce state budget and cash overdrafts. We must complete and exceed plan norms in exports and imports while the volume of goods as well as the remaining value which must be accomplished during the last 6 months of the year are tremendous. For exports alone, the average monthly value during the last 6 months of the year must double that of the first 6 months. While concentrating efforts on accomplishing the tasks of the 1986 plan we must, at the same time, develop and formulate the 1987 plan to complete the program set forth since the beginning of the year such as building the new mechanism while simultaneously encouraging and stepping up imports and exports, and strengthening management of foreign trade efforts based on the principle of the state monopolizing foreign trade; ensuring the primary level economic units' right of autonomy. Perfect organization, rearrange and redeploy the organization and ranks of cadres, hold the congress of various level party organizations, and be actively involved in the process of preparing to move toward the party's 6th National Congress.

To accomplish the aforementioned primary tasks, we must carry out many essential measures, including concentrating on satisfactorily resolving the following several problems:

Firstly, we must be mindful of and further heighten the law nature of the import-export plan.

The import-export plan is an extremely important part of the national economic plan. Whether or not the import-export plan norms are accomplished well directly impacts not only on domestic production and life but also is related to fulfilling the foreign lines and policies of the party and state and to the prestige of our country in international commitments. Thus, the import-export plan norms assigned to sectors and localities demand a very high law nature, forcing successful accomplishment except in impossible circumstances. The responsibility and right of sectors and localities toward import-export tasks first of all is represented in the attitude and work done while accomplishing the plan norms assigned by the state, including paying particular attention to export norms in order to fulfill barter agreements which our country has signed with the Soviet Union and other fraternal socialist countries.

Clearly recognizing this importance, in the past many sectors and localities had efforts, overcame difficulties, and resolved on their own

many aspects balanced by conditions and as capabilities permitted in order to satisfactorily fulfill the export plan norms. Some localities reserved fine and precious goods and foreign currency authorized for use to ensure production, procurement, and satisfactory fulfillment of export plan norms and state assigned. Some localities concentrated efforts and sources of capital to complete export norms in accordance with the central plan, only then turning to work on exports according to their own locality's plan.

Alongside these efforts there also were not few instances of not heightening will and attempts to ensure the law nature of the import-export plan. One of the very reasons during the first 6 months of the year that the export situation did not meet our desired requirements is because the planning segment was not done well (e.g., norms were assigned late and were not completely balanced from the very beginning, supply of material was not carried out in a centralized fashion, and the transportation plan was not balanced with the import-export plan. Responsible organizations have cases of still lacking urgency and lack close coordination in helping lower levels and primary organizations alleviate difficulties and imbalanced aspects. A number of localities and primary organizations lack initiative in solving difficulties on their own, instead looking to or relying on higher levels. Discipline in economic operations in many cases is not strict. To ensure that import-export plan norms are satisfactorily fulfilled we first of all must make sectors, levels, and localities even more fully realize their responsibility toward the assigned norms and subsequently resolve essential balanced aspects in order to create material conditions for fulfilling these norms. For any portion without adequate conditions for balancing material for production, apply suitable methods of inducement as have been stipulated and strengthen import-export management efforts in order to centralize sources of goods and ensure satisfactory fulfillment of export plan norms.

Secondly, overcome and resolve difficulties and hindrances which are currently impeding export efforts. These are difficulties in material, cash, prices, and packaging and transportation.

Regarding material, strive to balance in the plan various essential types of materials for the production of export goods. We must review and reassess the entire capabilities and requirements in material for each item.

Clearly identify responsibility and capability to resolve problems for each type of imported material and domestic material and for each specific item. While resolving these problems, we must thoroughly understand the conclusions of the 10th Plenum of the CPV Central Committee--to immediately conduct an inventory of material and implement unification of material management by the state, centralize the supply of material of various types in appropriate centers at the central level as well as in localities for distribution according to plan, ensure the signing and carrying out of economic contracts on schedule for production

and at a priority for key enterprises, key zones, and the two large municipalities. Sectors, localities, and enterprises must satisfactorily use material, endeavor to step up production with the increasingly higher productivity, quality, and effectiveness, and contribute to successfully fulfilling the state plan.

It is necessary to discuss with the organizations concerned (e.g., finance and banking) finding solutions to ensuring an essential level of cash for acquiring export goods.

Concerning prices for purchasing export goods, there now are many problems as well. Rapidly increasing prices have affected the cost of purchasing export goods, making the cost of purchasing many items no longer consistent with reality. It is therefore essential, together with responsible organizations, to review this situation and have suitable measures for solving problems, including reviewing domestic and foreign consumption policies, to make it possible to concentrate in state hands more and more sources of goods for export. While solving price problems to support the business of foreign trade, we must correctly implement principles, policies, and measures regarding prices which were stipulated in the resolution of the 8th Plenum of the CPV Central Committee and resolutions 28 and 31 on prices-wages-money and the Political Bureau's resolution 306 on ensuring the primary level economic unit's right of autonomy in production and business. The urgent requirement presently is to struggle to stabilize prices, control prices on the social market, stop prices from rising suddenly, and impassively pursue the free market.

Transportation and packing are also problems which presently have many imbalanced aspects. Foreign trade business general corporations and corporations should hold specific discussions with transportation and packaging organizations in order to solve difficulties and jams, find essential solutions to ensure that export goods have enough packing and are transported promptly, especially during the months at the end of the year when the volume of goods is large and requirements are never-ending and urgent. In conjunction with this, it is necessary to satisfactorily organize shipping and receiving at depots and ports.

Thirdly, satisfactorily provide guidance and organize for accomplishment on the basis of renewing thinking, improving work methods and work styles, and encouraging sectors and localities to step up exports while simultaneously strengthening centralized and unified management of foreign trade efforts.

Renew thinking along the lines of abolishing bureaucratic centralism and subsidization and implement socialist business economic accounting. Combat every instance of conservatism and delay currently causing burdens and impediments in thought and deed and adversely affecting development of foreign trade. Build a network of open, honest communications and reduce unnecessary paperwork. Heighten discipline in executing directives from upper levels. Stay close to primary organizations and promptly grasp

the real situation. Improve and boost the quality and effectiveness of meetings. Correctly carry out rules for issuing decisions and ensure that every decision is brought out promptly and has scientific and practical basis. In guidance as well as in organizing for accomplishment it is necessary to have an active, dynamic, quick, and prompt style, meet the demands of production and business realities, and ensure correct implementation of the procedures and policies in force as well as the economic and foreign trade principles of the state.

Fourthly, develop the results of the criticism and self-criticism drive in the party, be concerned about spiritual encouragement and material incentives, step up the patriotic emulation movement and develop the combined strength of the masses under the leadership of the party committee echelons. One of the tremendous advantages presently is that our entire party, army and people are now looking toward the party's 6th National Congress and the Party Organization Congress with new confidence and new determination to contribute together to bringing the country's economic situation through difficulty and advance to a new stage of development. Thus, while guiding and organizing to accomplish the tasks of the 1986 import-export plan and work program, we must know how to develop these advantages in order to encourage the masses to solve specific problems. At the same time, sternly criticize and strictly punish individuals, units and misdeeds, violations of policies and procedures, and violations of socialist property. Together with stepping up the patriotic emulation movement, we should regularly be concerned with the material life of cadres and workers.

With high unanimity toward party resolutions, vigorously developing the collective ownership right of cadres and workers and the close coordination of sectors and localities under the centralized and unified guidance of the central government, our entire sector is unified in purpose and act. Speaking and acting according to resolutions, we are completely capable of developing the successes already achieved, are striving to successfully complete the 1986 import-export plan and work program, are contributing to overcoming difficulties, are gradually stabilizing the distribution and circulation situation, and are continuing to bring the economy forward to achieve new success.

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WAYS TO ENSURE AUTONOMY IN PRODUCTION, BUSINESS SUGGESTED

Hanoi TAP CHI KE HOACH HOA in Vietnamese Aug 86 pp 26-28

[Article by Dang Chi Thanh, deputy director general, Union of Canned Food Enterprises I: "Some Suggestions To Ensure Autonomy in Production and Business of Basic Economic Units"]

[Text] The (draft) resolution of the Political Bureau and the temporary decisions about matters related to production at the basic level, which were issued as attachment to Decision No 76-HDBT, have satisfied the urgent need for renewing the economic management mechanism and have encouraged production installations to promote autonomy in production and business. To implement these regulations will certainly help to overcome bureaucratic centralism and state subsidies and the state of being unorganized and undisciplined, as well as to stress the effectiveness of centralized and unified state management.

Implementing the resolutions of the Sixth and Eighth Plenums of the CPV Central Committee and in recent months striving to improve organization and management in the spirit of the Political Bureau (draft) resolution, our union has for the first time obtained some results from actively rationalizing production in each and every enterprise, reorganizing the labor force to make it more rational, and being more active in creating sources of raw materials, including exploiting the sources of imported materials, in order to ensure normal production in a difficult situation. However, in connection with the new mechanism adopted by the party and state, our union's efforts to achieve autonomy in production and business still are limited in some aspects because there have been no synchronized changes in the organizing and implementing work of sectors and enterprises and, on the other hand, the efforts to perfect and materialize the new regulations have been slow. We offer hereunder for exchange some ideas about this matter.

The rationalization of the main production and secondary service and production sections of enterprises always results in reducing to a considerable extent the quantity of labor needed for assembly lines while still satisfying the need for raising productivity, output, and product quality. But in this process a new difficulty has appeared: a lack of conditions for resolving the excess labor resulting from it. Some enterprises transferred a few workers to secondary production and capital construction but as to workers whose cases involve policy (wounded soldiers, demobilized

troops, women having small children, veteran workers having good skills but poor health, etc.), and even some technical and management cadres, they failed to take care of them or to find a place to transfer them to. During the time they wait for new jobs, what share of the wage funds should be used to pay these workers? According to the new mechanism, because the wage funds are determined by the volume of production, how can this expense be ensured? In the meantime, the efforts to expand secondary production encounter considerable difficulties because of a lack of invested capital and because of other policies. Consequently, enterprises have the tendency to push and pull while dealing with their main and secondary production and to find every possible means, including irrational ways and those that do not conform to rules, to provide their cadres and workers with a means of living, which destroys the serious character of secondary production and affects the overall results of production. In this situation, the state must have unified and synchronized labor policies to resolve on a societywide scale a whole lot of matters, such as who are to be laid off and to retire; a policy that ensures for excess labor nonparticipation in production; invested capital, locations, and so on for new construction projects to attract excess labor following reorganization of production. Through the experience of Vinh Phu Canned Food Factory, we think that in the case of those production installations whose producing capacity is underused, the best way to deal with excess labor is to expand and increase the sources of raw materials in order to create favorable conditions for putting this labor force into the main production and to boost the volume of principal products made by these factories. This is a positive way of dealing with the matter and thus requires positive measures in order to obtain good economic results from this rationalization of labor.

Rationalizing production is closely linked with creating stable raw materials areas for the benefit of production installations. For some time as localities tried to resolve this problem, they failed to rely on the common interests in order to create favorable conditions for production. Five districts agreed to work with the factory and to grow 40 hectares of cucumber, but at the time of harvest they asked for high prices in addition to convertible goods, instead of making delivery and sales. Purchases of such items as bananas had to go through the export corporation of the province, with the factory having to exchange 210 kilograms of nitrate fertilizer for every ton of bananas, but with the corporation actually giving only 110-140 kilograms of fertilizer to the bananas-selling farmers. There was no appropriate guarantee for producers' interests while processing enterprises had to pay high purchase prices. Bananas are normally planted in silty land along river banks (this land is not for rice-growing), but in purchase contracts the locality required the exchange of convertible goods--4 tons of paddy, 200 kilograms of gasoline, and 300 kilograms of nitrate fertilizer--for every hectare of bananas. If receipts and expenses were compared on the basis of foreign currency, it would be obvious that the state had lost money. There was another situation: In its relations with the collective economic sector, the factory made advance investment (4,000 dong per hectare of new planting of pineapple); some districts, which had accepted to grow pineapple in 200 hectares, got only 200 tons at harvest time (the average yield should be 6-7 tons/hectare and for state farms 9-10 tons/hectare), and thus the sum of over 2 million dong that had been disbursed beforehand became "timeless loans." The reason behind that situation was that producers who had accepted

nitrate fertilizer did not apply it to their pineapple crop, or the locality mainly used nitrate fertilizer for grain crops.

The key question here, therefore, is the fact that we must satisfactorily resolve the relationships based on interests between the locality and the central state-operated economic installations and at the same time determine in a more rational manner the system of delivering materials either to production or for state purchases in connection with the zones specialized in growing industrial crops.

We think that in the relationships between localities and sectors, if we can carry out the new regulations, we will be able to avoid a lack of concentration and confusion about various kinds of interests, and that to be practical there must be appropriate dealing with various crops, even with different localities, which should not be handled too rigidly. Production installations today still encounter many difficulties because many economic organizations dealing with factories, such as the materials-supplying and foreign trade organs, fail to respect the economic contracts they have signed and do not ensure material conditions by blaming them on "objective" reasons (weather, means of transportation, market, and so on). The state should have regulations to force these organs to be responsible for the material conditions of production along with the production installations concerned so as to ensure their close relationships in carrying out socioeconomic objectives and jointly trying to overcome the present lack of balance. In order to stabilize its plans and to steadily satisfy our needs the state should create reserve material forces as preconditions for production installations to have a safety net in the time between plan periods. For some kinds of materials and a number of specific products, is it wise to temporarily reduce the rate of development in order to create stable forces and to wait for a better opportunity to pursue more vigorous development in the coming years? We cannot take the initiative in construction and carry out our plans if we have to look for materials and raw materials on a daily basis.

About investment in capital construction, for the enterprises that currently are active in production, the state has decided that investment in expanding production should come mainly from their own capital and money they borrow from the bank. We suggest that for large-scale expansion of enterprises having clear-cut economic objectives, if the capital of the enterprises concerned is not sufficient, which is usually the case, the state should supply or support them with capital and materials.

About the existing system of setting norms and assigning them to various kinds of enterprises, it must be applied in a correct manner. The application of this system is closely linked with the rationalization of production installations. Under the conditions of our economy seriously lacking a balance and of materials and energy existing only in limited quantities, as production installations are allowed to maintain balance by themselves, the state should assign only one norm--making payment into the state budget. As for the production installations that receive some materials from the state, the two-norm system should be applied. This way of assigning norms reflects the dynamic character and ensures the autonomy of enterprises in production and business. However, it is necessary to prevent violating this system,

trying to get materials supplied by the state to make secondary goods, deliberately ignoring the state plan and deciding by oneself what line of goods to make, and making goods that bring about more profits although this may harm the common interests. In our opinion, along with the state assigning norms to enterprises there must be regulations that clearly define their responsibilities. First of all, the minister (for enterprises subordinate to a ministry) or chairman of a provincial people's committee (for local enterprises) must make correct decisions as to the various forms of enterprises and on this basis apply in a correct manner the norm system that has been adopted.

The supervision of plans by the management organs at higher levels is an extremely important role. This matter is not clearly defined in the new mechanism. We think that the state should clearly define the rights, responsibilities, and relationships of the plan-supervising organs within the system. In planning particularly, the State Planning Commission must be the organ that supervises and coordinates plans of various programs and sectors, for this is the only way to ensure maintaining the major balances in the economy and to resolve any problems in production that production installations may encounter. The relationships and close coordination among the plan-supervising organs at all levels and in all sectors will certainly help to reduce the false tension we have today. Recently while the union was short of corrugated iron, the Moc Chau Milk Enterprise had plenty of it; the union did not have any tin for welding yet, but the General Paint Factory had a lot of it in its storehouse.

In the financial field, the existing regulations should be revised in order to be more flexible. As for fixed assets, we should let production installations propose the rate of capital depreciation. The state and the direct-user sectors approve and make actual decisions. The Ministry of Finance should be in charge of management of only capital, for it does not have a profound technical knowledge. For the newly-completed construction projects, the state needs to decide in how many years it allows the recovery of part of capital through capital depreciation. And the capital to be recovered this way should be given later by the state to the enterprises concerned for use as capital in making technical improvement.

Under the conditions of fluctuating prices and difficult supply of materials today, to determine profits made by enterprises by making a series of subtractions (contrary to the method used in the past) is far from rational. For it does not take into consideration the subjective and objective reasons that affect the results obtained by production installations in their production and business.

The regulations on prices have this to say: In the case of products the prices of which are to be set by superior organs and which are made of self-supplied materials and sold to designated consuming organizations, they must be sold at directed prices; if enterprises fail to cover all production costs and to make profits as the norm calls for, the state will compensate enterprises for the price differences. These regulations are strict, but in reality the state does not pay any compensation for the price differences, or pay it very late, which slows down the rotation of capital and creates a

shortage of capital needed by enterprises to continue production, with enterprises in this case being forced to borrow money from the bank and to add interest to production costs, hence an added factor contributing to jacking up selling prices of products. This way our enterprises will not be encouraged to develop production. Is it wise, in this case, for the commercial sector to purchase products of enterprises at prices that ensure that expenses are compensated for and enterprises make some profit? The state compensates commercial installations for the price differences and puts all of these compensations into the circulation item. In the case of products which enterprises are allowed to sell by themselves, the state should let them sell at agreed prices. About the schedule for price approval, the regulations point out that at the end of the 20-day period if the price-approving organ has not made any decision about the price plans of production installations, the latter have the right to purchase or to sell at the prices mentioned in their plans. There are many such cases, but the parties to contracts do not enjoy this right because of a lack of official decision about prices (particularly in the case of products that makers are not allowed to sell by themselves and are compelled to deliver to the commercial sector). Recently hundreds of tons of goods that had been made for national defense or export with raw materials supplied at high prices by the domestic trade sector, which refused to take them at relatively increased selling prices, had to be stored in warehouses for 4-5 months at the cost of more than 10 million dong of capital remaining idle. A strict punishment must be imposed in this case, with buyers having to compensate the enterprises concerned for the costs of storage and interest paid to the bank.

In order to encourage enterprises to manufacture goods for export the state must reconsider the percentage of foreign currency given to enterprises to use and make it more reasonable. In our opinion, the enterprises that make products to replace imported materials should be awarded the right to use 30-40 percent of the foreign currency that is otherwise spent for importing these materials; the enterprises that borrow foreign-currency capital from the bank to organize making goods for export in accordance with approved plans must be granted a higher percentage of foreign currency to use in connection with export products made beyond the norm level (70-90 percent), for the same percentage currently allowed by the regulations in connection with these excess products is far from rational.

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POPULATION TRANSFER DURING FIRST 9 MONTHS OF 1986 SUMMARIZED

Hanoi QUAN DOI NHAN DAN in Vietnamese 2 Nov 86 p 1

[Article by Tran Anh Thai: "During First 9 Months of 1986 the Labor and Population Transfer Sector Redistributes 108,019 Workers and 237, 979 People"]

[Text] Since the beginning of 1986 the labor and population transfer sector, cooperating closely with the localities throughout the nation, applied many positive measures, transferred labor in each locality, and sent people to develop the economies of the northern mountain region, and the Mekong Delta.

Many localities took the initiative in doing a good job of making arrangements for the people moving, and preparing material bases at their destinations, and closely coordinated the sendoff and receiving places to create favorable conditions so that the people could rapidly become acclimated and productive. As of September 1986 the nation had redistributed and transferred 108,019 workers, 85.5 percent of the total during the same period in 1985, and 237,979 people, 89.23 percent of the total during the same period last year. Of those totals, 20,781 workers and 49,136 people were transferred to the state sector and 87,238 workers and 188,843 people were transferred to the collective sector. Within the province, 91,141 workers and 205,926 people were transferred.

Ha Nam Ninh Province organized efforts to overcome the effects of flooding while coordinating with the Central Highlands provinces and preparing areas for the building of material bases, so within only a brief period it sent 6,513 people to the Cat Tien area in Lam Dong. They have now rapidly stabilized their living conditions and production. Ho Chi Minh City positively developed many wasteland areas outside the city, while setting up the Da Hoai new economic zone in Lam Dong, to which it sent more than 2,400 people. Lam Dong Province tied in the transferring of workers of local ethnic groups with receiving people from outside the city, and received 9,200 people sent from other provinces. The Mekong Delta region combined the use of labor in intensive cultivation and increasing the number of growing seasons, tied in the adjustment of land with a plan to redistribute 29,179 workers and 67,730 people.

However, there are still weaknesses in the work of distributing labor and population which must be overcome. A number of localities have not yet fully

understood the importance of the work of transferring labor and population, so the masses have not been continually educated and encouraged to go to the new economic zones. The organization of population transfer and the preparation of the receiving areas were simplistic and many of the policies encouraging the investment of people to develop new economic zones are outmoded and there has been tardiness in amending them. Therefore, the implementation plans have fallen short, and some localities did not attain the norms regarding the distribution of labor within the province during the past 9 months. The principal reason for that situation was that planning was not appropriate to the actual situation, and the norms regarding capital, grain, and materials were not met and were incomplete. The destinations were far away and travel facilities were difficult, and there was a lack of centralized, unified guidance, so great combined strength for investment in that task was not created. During the coming period, the task of transferring labor and population will continue to be strengthened in all ways. There will be close coordination between the sectors and the localities, promote many activity forms, redistribute labor and population uniformly among the territorial areas, regions, and localities, and bring about real economic results in the all-round development of production.

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